SINO Gas & Energy
中澳煤层气能源

SINO GAS & HOLDINGS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDING DECEMBER 2013

ABOUT US

Sino Gas & Energy Holdings Limited ("Sino Gas" ASX: SEH) is an Australian energy company focused on developing Chinese unconventional gas assets. Sino Gas holds a joint venture interest in Sino Gas & Energy Limited ("SGE") through a strategic partnership with MIE Holdings Corporation ("MIE" SEHK: 1555). SGE has been established in Beijing since 2006 and is the operator of the Linxing and Sanjiaobei Production Sharing Contracts (PSCs) in the Ordos Basin, Shanxi province.

SGE has a 65.75% interest in the Linxing PSC, partnered with CUCBM, a subsidiary of CNOOC, and a 49% interest in the Sanjiaobei PSC, partnered with PetroChina CBM, a subsidiary of CNPC. SGE has a 100% working interest during the exploration phase of the PSC, with SGE's PSC partners being entitled to back-in upon Overall Development Plan (ODP) approval, by contributing development and operating costs in line with their PSC interest.

The PSCs are located in the Ordos Basin and cover an area of approximately 3,000km^2. The Ordos Basin is the second largest onshore oil and gas producing basin in China. The region has mature field developments with an established pipeline infrastructure to major markets. Rapid economic development is being experienced in the province in which Sino Gas' PSCs are located and natural gas is seen as a key component of clean energy supply in China.

ANNUAL REPORT

for the year ended 31 December 2013

SINO Gas & Energy 中澳煤层气能源

Sino Gas & Energy Holdings Limited
ACN 124 242 422

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Chairman's Report

Dear Shareholder,

I am pleased to present to you the Company's 2013 Annual Report.

2013 was once again a year of significant transformation for your Company, as we progressed through the exploration and appraisal phases of our Ordos Basin projects in China. With these activities now substantially completed, our focus in 2014 is on achieving development approvals and commercial production on the two Production Sharing Contract ("PSC") blocks in Shanxi Province.

In 2013, Sino Gas had its busiest year of operations, drilling 31 (58 cumulative) wells and acquiring 1,235km (1,935km cumulative) of seismic lines. We commenced the regulatory approval process with the submission of a Chinese Reserve Report ("CRR") in August on Linxing (East). CRR submissions on Linxing (West) and Sanjiaobei are expected to be lodged mid-2014. These achievements are a credit to all those employees working on the projects who between them were able to achieve over two million incident free man-hours, often in challenging conditions.

Another successful year of drilling and seismic operations, enabled RISC to attribute over 1 trillion cubic feet (tcf) of mid-case 2P (Proven and Probable) Reserves to the project, with Sino Gas' share at 291 billion cubic feet (bcf) announced to the ASX on 4 March 2014. The continuing upgrading and expansion of our reserves and resources resulted in a 45% increase in RISC's independent economic valuation of the Company's share of the project's Expected Monetary Value (EMV) from US$1.6 to US$2.3 billion. Refer to *Reserves and Resources Statement* on page 10 for additional disclosure.

The market capitalisation of Sino Gas more than doubled over the course of the year to over A$300 million, as the significant underlying value of the Company's gas assets is increasingly recognised by the market. It has been particularly pleasing to witness a further transitioning of the share register, with an increasing proportion of institutional investors becoming shareholders in the Company as we continue to progress towards commercial development.

During the year, we successfully accessed the equity market to raise A$63 million (before costs) dollars via equity placements. This capital raising brought a significant level of financial strength to your Company, taking our cash in bank from around A$7.5 million to approximately A$64 million at year end. The capital raising was also significant in that it provided your Company with the funding required to underpin an aggressive drive towards significant commercial gas production in 2014. It also enables us to be in a solid financial position when we enter debt funding negotiations with financiers, by having a strong balance sheet behind us. We were very pleased with the support of our institutional and sophisticated investors, which I believe, reflects the market's assessment of both the quality of our assets and also the ability of the management team to deliver on the opportunity.

Under Robert's leadership Sino Gas has developed into an ASX 300 Company with strong partners, gas sales agreements in place, a clear path to first pilot pipeline gas sales. Sino has a supportive shareholder base and tremendous potential growth in front of us. We now have a competent technical team in place in Beijing and expect to also appoint a strong COO in the near future to further build the Beijing presence. Robert has played a large part in taking the company to this position and with the announcement of his retirement, the Sino Gas Board intends on appointing a high calibre replacement who will continue to grow the company and build shareholder value.

> *The continued improvements in the market conditions for domestic gas in China, streamlining of the regulatory approvals process and the operational success achieved to date provide your board with a high level of confidence that the Sanjiaobei and Linxing PSCs can be successfully developed.*

And finally, to you, our shareholders, thank you for your support in 2013. Your board remains focused on the successful development of the Company's assets and suitable ways to monetise those assets for the benefit of shareholders.
We look forward to what will hopefully be another rewarding year for shareholders as we push ahead in commercialising our significant Chinese gas assets in 2014.

Gavin Harper

Chairman

Managing Director's Report

An Outstanding Year

It has been an outstanding year, with Sino Gas continuing to deliver on its strategy to develop its Sanjiaobei and Linxing PSCs in Shanxi Province, China. We are extremely fortunate to be in one of the world's largest gas basins with direct access to a market with large and growing demand.

The 31 well drilling program for 2013 was completed in December and consisted of a mixture of in-field and delineation wells across both PSCs, all of which encountered pay. During the year, over 62,000 metres were drilled, including Sino Gas' first horizontal well. In addition, 1,235km of seismic was acquired and interpreted, contributing to expansions in the discovered areas on both PSCs. Testing teams continued operations on Sanjiaobei and Linxing, with a total of twenty wells fracced and tested, with another four perforated and awaiting testing in 2014. Encouraging results continued to be received with single zone and comingled commercial flow-rates being recorded from the discovered areas across both PSCs.

In December, first gas was successfully transported by road from TB-11 to the Shanxi International Energy Group's (SIEG) distribution facility, a major milestone in the development and monetisation of our PSCs. Engineering of surface gathering facilities is progressing to schedule on Sanjiaobei, while design and land lease negotiations have been completed for the Linxing (West) central gathering station and pipeline components ordered. The A$53 million two tranche placement (before issue costs) announced in November was successfully completed following shareholder approval at a General Meeting held in December.

2013 Highlights

- ✓ Extensive 2013 work program grows reserve and resource base
- ✓ Drilling program completed —31 wells drilled in 2013
- ✓ Well testing program—20 wells tested in 2013
- ✓ First gas sales on Linxing PSC
- ✓ Major components for first central gathering station delivered
- ✓ CRR approval on Linxing (East) progressing
- ✓ Successful placement secures work program funding into 2015

Aggressive 2014 Work Program

In January, the Strategic Partners (SGEH & MIE) approved a US$137 million capital works program for 2014 (Sino Gas' share is 49%). The program is designed to complete initial CRR submissions and commence pilot pipeline sales across both PSCs. The agreed work program almost doubles the number of wells to be drilled from the previous year and completes the seismic required for the first round of CRR submissions. It is anticipated that the majority of the wells to be drilled will be hooked up into the pilot program, which is planned to ramp up in the second half of the year and become an increasing source of cash flow for the projects.

With the recent capital raising, the Company is in a position to fund forecasted cash calls into 2015. At this point in time, Overall Development Plans (ODPs) are anticipated to have been submitted, which should position the Company well to obtain project financing.

Sanjiaobei PSC – Sino Gas 24%

A small number of delineation wells are planned to be drilled within the seismic grid, which are to be frac tested along with existing wells. A pool of ten existing and planned wells is expected to be initially available for hooking up into the pilot program scheduled to commence in the third quarter. The CRR on Sanjiaobei is expected to be submitted mid- 2014. At this stage, as sufficient seismic has been acquired for the eastern portion of Sanjiaobei to enable CRR submission, no further seismic is scheduled for 2014.

The preliminary work for the pilot program on the Sanjiaobei PSC was approved by the Joint Management Committee (JMC), and engineering for the surface gathering facilities is progressing to schedule.

Linxing West – Sino Gas 31.7%

Approximately 11 wells are expected to be drilled and tested with average spacing of 5km in the northern portion to complete the CRR drilling requirements. The CRR on Linxing (West) is expected to be submitted some time mid-year. Seismic surveying on Linxing (West) commenced during Q4, and by mid-January the 285km of seismic acquisition had been completed. This finalises the seismic grid covering the entire block as required for CRR submission. Data acquired will be interpreted and incorporated into future reserves and resources assessments.

Design and land leasing for the central gathering station has been completed, and construction is anticipated to be completed for the commencement of pipeline gas sales in the third quarter.

Following the completion of surveying for the external pipeline on the Linxing (West), the spur pipe has been ordered by the third-party purchaser. In addition route surveying & mapping has been completed for the 22km of internal gathering lines to connect the first seven wells.

Over thirty wells are planned to be drilled in the southern portion of the block which will be incorporated into the pilot production program. This includes an additional horizontal well which is anticipated to be drilled, pending results from the first frac test of LX-1H.

Linxing East – Sino Gas 31.7%

Further exploration step-out drilling is scheduled in the 2014 work program, following the completion of the first exploration well in July 2013. An additional well will be drilled and tested on existing seismic lines to gain a deeper understanding of the exploration potential within Linxing (East).

RISC has assigned a discovered area of 265km^2 for the shallow resources on the eastern portion of the block, and a prospective area of 295km^2 for the deeper resources on the western portion. The potential for further seismic on Linxing (East) will be determined following the analysis of drilling and testing results from the exploration wells and previous seismic analysis.

The dewatering program will continue on the six wells in the shallower, eastern portion of the block, while testing is scheduled to occur on the two exploration wells within the deeper western portion.

CRR approval is currently expected to be obtained from the relevant authorities in the second quarter of 2014.

2014 Outlook

Q1

- RISC Reserves & Resources Assessment

Q2

- Vertical and first horizontal well testing results
- Approval of Linxing (East) Chinese Reserve Report
- Negotiations on additional Gas Sales Agreements finalised
- Commence submission of additional Chinese Reserve Reports

Q3

- First pipeline gas production begins on both PSCs
- Overall Development Plan preparation

Q4

- Additional wells continue to be brought online as drilling is completed

Booking Reserves

RISC has completed its independent Reserves and Resources assessment, incorporating results from the 2013 work program, including 31 wells (58 cumulative wells) and 1,235km of seismic (cumulative 1,935km). I'm very pleased with the size of the Project Reserves upgrade to over 1 tcf and am looking forward to maturing more resource into reserves as additional delineation and production wells are drilled and the commencement of pipeline production in 2014.

Delivering gas in 2014

Sino Gas has a clear strategy in place to commence commercial gas production in 2014 and our focus remains on the implementation of that strategy.

A tremendous amount has been achieved in 2013 and I would like to thank the Operations team for their hard work and dedication. 2014 is shaping up to be another transformational year for Sino Gas, as the Company moves into commercial production on our Ordos Basin projects. As we enter this exciting phase of developing our unconventional gas assets, the Beijing team remains focused on monetising the assets and increasing shareholder value.

Robert Bearden

R. J. Bearden

Managing Director & CEO

Review of Operations

FINANCIAL PERFORMANCE

Operating Results for the Year

The Consolidated Entity made a profit for the year ended 31 December 2013 of $1,401,593 (31 December 2012: profit of $463,206). As at 31 December 2013, the Consolidated Entity had cash and cash equivalents of $64,002,742 (31 December 2012: $7,749,124) and net assets of $110,724,529 (31 December 2012: $39,568,361).

Dividends

No dividends were paid or declared by the Company during the year ended 31 December 2013. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2013.

CORPORATE ACTIVITY

Occupational Health and Safety

Sino Gas maintained its unblemished safety record for the twelve months to 31 December 2013. Despite difficult weather conditions causing flooding and operating through sub-zero temperatures, 2,035,896 OH&S incident free man hours were recorded this year (578,000 in 2012) in conducting the seismic, drilling and testing work programs.

Investor Relations & Transitioning Share Register

As a result of the extensive investor relations activities and the meeting of significant project milestones during the year, the register continued to evolve. The proportion of institutional investors increased from 21.3% in January to 37.6% following the completion of the second tranche of the placement announced in November 2013.

The Company hosted two site visits for Australian based fund managers and analysts in October. The Australian Ambassador to China, Her Excellency Ms Frances Adamson, and embassy staff also joined the group which met with Shanxi provincial and local city officials and management from Shanxi International Energy Group (Linxing gas purchaser). The tours visited Sino Gas' first horizontal drilling rig, a well undergoing testing and the Baiwen metering station of the main SIEG Linlin north-south provincial pipeline.

Sino Gas was also involved in a number of major international conferences over the past year, including being the only ASX listed company participating in the prestigious 41st annual Howard Weil energy conference in New Orleans, presenting at the Asia Oil & Gas Assembly in Hong Kong, and presenting at the Deutsche Bank dbAccess China Conference in Beijing.

In September, Imdex Limited (ASX:IMD) advised it had sold approximately half of its holding of 250 million shares in Sino Gas. In its ASX announcement Imdex recognised as a founding shareholder that Sino Gas is developing a world scale gas project in China. Imdex stated that it strongly supports the strategy of the Sino Gas Board and remains a substantial shareholder in Sino Gas.

Capital Raisings

In January 2013, the company announced that it had completed the placement of 82,448,979 new fully paid ordinary shares to two leading institutional investors at $0.1225 per share to raise approximately A$10.1 million.

During in the year, 8.75 million options expiring 25 November 2013 were exercised, providing the Company with A$693,875 in additional funding.

In December, the Company successfully completed a A$53 million (before issue costs) two tranche placement of 265 million new ordinary shares at an issue price of A$0.20 per share. Funds raised will be used to underpin an aggressive work program aimed at further CRR submissions and ramping up production on both PSCs in 2014.

Changes in Board of Directors

Mr. Peter Mills, Non-Executive Director, resigned from the board on 17 May 2013 having played a key role in a number of significant transformational changes since becoming a Director in November 2011.

Mr. Gavin Harper, Executive Chairman, retired from his executive on 30 June 2013 having filled key management and executive positions of increasing responsibility since his appointment in 2006. Mr Harper has agreed to an appointment as Non–executive Chairman effective from 1 July 2013.

OPERATIONAL PERFORMANCE

Exploration and Appraisal

Linxing PSC, Ordos Basin (Sino Gas 31.7%)

During the year, the PSC operator, Sino Gas & Energy Limited (SGE), submitted its first Chinese Reserve Report (CRR) and also agreed a three year extension to the exploration period with China United Coalbed Methane (CUCBM).

After being compiled by the CUCBM Research Centre, the CRR was formally ratified by both PSC partners at the Joint Management Committee and has been provided to the Chinese Ministry of Land & Resources (MOLAR) for approval.

As anticipated, SGE signed a tenth modification agreement with Linxing PSC Partner CUCBM in August 2013, which extends the exploration period of the Linxing Production Sharing Contract to August 2016 with no relinquishment of acreage or change to the PSC allocation structure.

Seismic

During 2013, 650km of seismic lines were acquired on Linxing (West). Currently, two thirds of the Linxing (West) acreage is now considered to be discovered, with the remaining third being prospective. Seismic surveying planned for the 2014 work program commenced during Q4, and by mid-January the 285km of seismic acquisition had been completed. Processing and interpretation is underway and will be completed over the coming months.

RISC has assigned a discovered area of 265km^2 for the shallow resources on the eastern portion of the Linxing (East), and a prospective area of 334m^2 for the deeper resources on the western portion. The potential for further seismic on the acreage will be determined following the analysis of drilling results from the exploration wells and previous seismic analysis.

Drilling

In Q4, the final well of the nine well Linxing (West) drilling program well was completed. This included Sino Gas' first horizontal well which was successfully drilled at a depth of approximately 2,000 metres (with a 1,000 metre lateral section). Multi-stage frac and testing of the well is planned in early 2014, with the well expected to be available for incorporation into the pilot production program mid-2014.

During the year three wells were drilled on Linxing (East), consisting of two shallow wells on the north-eastern portion of the PSC, and one deeper exploration on existing seismic lines to the west.

Testing

During 2013 testing was completed on over five payzones from wells drilled during both the 2012 and 2013 work programs. Testing of lower-level zones produced encouraging results, allowing multiple zones with similar pressures are planned to be comingled to maximise well output. Testing of upper level zones produced flow-rates well in excess of minimum commercial rates. An additional four zones had been perforated by year-end and were awaiting flow testing in 2014.

The dewatering program continued during the year on six wells on Linxing (East) and gas to surface had been achieved on five of the wells by year end. Sufficient data was gathered from these six wells to enable CRR submission at the end of August 2013. Testing operations were resumed at exploration well LXDG-01 during the quarter, with nominal rates recorded from a middle-lower zone.

Sanjiaobei PSC, Ordos Basin (Sino Gas 24%)

Seismic

During 2013, 585km of seismic lines were acquired on Sanjiaobei which contributed to a tripling of the prospective area. Currently, over 80% of the 1,123km^2 block is considered to be discovered (including reserves and contingent resources) or prospective under the Society of Petroleum Engineers Petroleum Resource Management System (SPE PRMS) standards.

Drilling

The Sanjiaobei drilling program was completed in the last quarter of 2013, consisting of a mixture of 19 in-field and delineation wells, and brought the total number of wells on Sanjiaobei to 28.

Testing

In 2013, frac testing was conducted on eighteen payzones, with the final four payzones undergoing testing at year end. Three wells that completed tested during the quarter were flow tested at rates well above commercial rates, whilst further testing and comingling of zones of similar pressure is being considered on three wells that flowed at nominal rates.

Pilot Program

A major milestone was achieved in June with the signing of the first Gas Sales Agreement with Linxing PSC partner, China United Coal Bed Methane (CUCBM).

The Linxing PSC gas sales agreement is a significant achievement in Sino Gas' drive towards production on its Ordos Basin projects. The agreement establishes the commerciality of the Linxing PSC, and provides a path to market through existing pipeline infrastructure. The initial pilot gas sales will provide a revenue stream and production data that will be essential inputs into full field development planning and design.

Gas supplied under the agreement will be sold to the industrial gas market in Shanxi Province for an initial price of approximately US$7 per thousand standard cubic feet (Mscf) during the first year. Initially seven wells are planned to be connected to a central gathering station located on the western portion of Linxing.

In October 2013, Linxing PSC partner CUCBM, signed a supplementary gas agreement to supply Compressed Natural Gas (CNG) to a division of the Shanxi International Energy Group (SIEG), who is also the purchaser for the GSA signed in June 2013. The agreement allows for Compressed Natural Gas ("CNG") to be transported by road to a major distribution facility in Q4 2013, and accelerates the long-term testing of selected wells that will provide important reservoir information without excessive flaring.

During December, CNG sales commenced on the Linxing PSC. Under the CNG gas sales agreement signed, first gas was successfully transported by road to SIEG's distribution facility from Linxing (West) on 21December 2013.

By the end of the year, design and surveying for both internal and external pipeline routes on both central gathering stations was completed. Construction is to recommence early in 2014 to mitigate safety risks of working during the winter months, and is anticipated to be completed for the mid-year commencement of pipeline gas sales.

Following the completion of surveying for the external pipeline on the Linxing (West), the 47km spur pipe has been ordered by the third-party purchaser. The pipeline will be 16 inches in diameter and have a designed annual capacity of approximately 1 billion cubic metres per annum (approximately 35 billion standard cubic feet). In addition route surveying & mapping has been completed for the 22km of internal gathering lines to connect the first seven wells of wells. Design and land leasing for the central gathering station has been completed, with construction scheduled to commence early 2014.

The preliminary work for the pilot program on the Sanjiaobei PSC was approved by the Joint Management Committee (JMC), and at year end engineering for the surface gathering facilities was progressing to schedule.

Joint Venture Funding

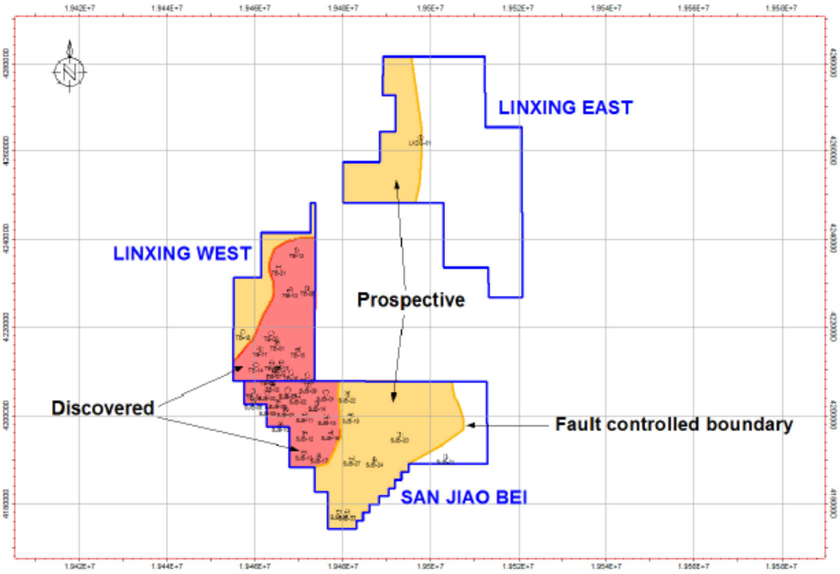
By December 2013, SGE had cash called MIE for US$46.15 million of the US$90 million for qualifying PSC expenditure. On a commitments basis, US$99.8 million has been incurred since the signing of the strategic partnership in July 2012. SGEH is expected to receive its first cash call mid-2014.

RESERVES AND RESOURCES STATEMENT

Overview

RISC conducted an independent Reserves and Resources assessment of the Company's unconventional gas assets relating to the Linxing and Sanjiaobei Production Sharing Contracts Shanxi Province, People's Republic of China. The Reserves and Resources have been determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management System (PRMS) standards using probabilistic estimation methods.

Results from the 31 wells drilled in 2013 (58 cumulative wells) and the interpretation of 1,235km of seismic lines (cumulative 1,935km) were reviewed for the updated Reserves and Resources assessment as at 31 December 2013.



- The Linxing PSC is divided into Linxing West and Linxing East. The Linxing West resource area is divided into a discovered area supported by well and well test data, and a prospective area to the northwest where mobile gas has yet to be demonstrated. The Linxing East Resource area is divided into a prospective area to the west of a major fault and a shallow CBM area east of the fault.
- Similarly the Sanjiaobei Resource area is divided into a discovered area in the northwest supported by well and well test data, and a prospective area to the south and east where mobile gas has yet to be demonstrated. A series of faults separate the prospective area from an area further east where the formations are shallow and no Resources assigned.
- The discovered areas contain Reserves and Contingent Resources. The prospective area contains Prospective Resources.
- The PSCs contain gas in both the coal measures and the sandstones which are vertically adjacent to and interbedded with the coals. The coals are largely too deep (800 to 2000m) for economic CBM development but gas resources are contained in the adjacent sandstone beds. The coals are shallower to the east of the fault in Linxing East and resources are being evaluated in a shallow CBM pilot.
- Since RISC's March 2013 resource evaluation, new wells have extended the Linxing West discovered area to the north and the Sanjiaobei discovered area to the south/east, increasing the total area 44% from 485 km^2 to 699 km^2. Project Reserves plus Contingent Resources in the discovered area have increased 57% largely due to the increased area.
- In 2013, Reserves were assigned to an additional 19 successful wells (36 cumulative wells) and the adjacent well spacings in the discovered areas. The increased seismic and drilling data within the discovered area enabled an increase in the area of Reserves attributable to each well from 6km^2 (1 adjacent well spacing) to 13km^2 (2 adjacent well spacings). This resulted in an increase in the area attributed to Reserves from 56km^2 to 379km^2. Other Resources in the discovered area are classified as Contingent Resources - contingent upon further appraisal and firm development plans.
- Prospective Resources in Linxing have reduced due to prospective areas being drilled and reclassified to either Contingent Resources or Reserves. However this was offset by increased Prospective Resources in Sanjiaobei where new seismic resulted in re-mapping of the bounding fault further east and a consequent increase in the prospective area. Logs from the first deep gas well in Linxing East (LSDG-01) indicate the well to be gas bearing although successful testing is required to confirm mobile and economic gas rates.

- The shallow CBM pilot test in the north of Linxing East is producing gas at an average gas rate of 1,500 m3/d (53 Mscf/d) per well. Although development at this rate is not economic, RISC's modelling indicates that the gas rates should increase with continued de-watering. Contingent Resources have been estimated (contingent upon economic gas rates being demonstrated), however, the shallow CBM resources are not included in the evaluation due to uncertainty regarding commerciality.
- PSC expiry is 2028 for Linxing and 2033 for Sanjiaobei, although PSC extensions may be possible. The PSCs are currently in the exploration phase which has been extended several times. Extensions to the exploration phase do not affect the PSC expiry date.

The Company's attributable net undeveloped unconventional gas Reserves & Resources in Shanxi Province, People's Republic of China are summarised below:

	Sino Gas' Attributable Net Reserves & Resources					
	1P Reserves (Bcf)	2P Reserves (Bcf)	3P Reserves (Bcf)	2C Contingent Resources (Bcf)	P50 Prospective Resources* (Bcf)	EMV10 (US$million)
31 December 2013	**129**	**291**	**480**	**850**	**1,023**	**2,258**
31 December 2012	32	94	199	653	885	1,556
Change (+/-)%		*+211% (2P)*		*+30%*	*+16%*	*+45%*
	100% Total Project Reserves & Resources					
31 December 2013	**466**	**1,068**	**1,786**	**2,941**	**3,978**	**N/A**

*The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Sino Gas & Energy Limited's (SGE) interest in the Linxing PSC with CUCBM is 64.75% and 49% for the Sanjiaobei PSC held with PCCBM. SGE has a 100% working interest during the exploration phase of the PSC, with SGE's PSC partners being entitled to back-in upon Overall Development Plan (ODP) approval, by contributing development and operating costs in line with their PSC interest. In the formation of the strategic partnership, MIE acquired 39 million ordinary shares in SGE from Sino Gas for a consideration of $9.7 million (US$10 million). In addition, MIE is progressively investing a further US$90 million of qualifying expenditure into SGE to secure an interest of 51% in the issued capital of SGE. Refer to Note 23 Interests in joint ventures of the notes to the consolidated financial statements for more information.

The Company's share of the success case development Net Present Value (NPV) and risk weighted EMV are summarised below:

Sino Gas' Attributable Economic Value	NPV10 Mid-case (US$million)	EMV10 (US$million)
Reserves	625	653
Contingent	828	754
Prospective	1,350	851
		2,258

EMV is based on NPV10 with a mid-case gas price of US$8.79/Mscf and lifting costs (opex+capex) of ~US$1.5/Mscf for mid-case Reserves, Contingent & Prospective Resources.

Reserves and Resources Methodology

The statements of Reserves and Resources in this annual report have been independently determined to Society of Petroleum Engineers (SPE) Petroleum Resource Management System (PRMS) standards by internationally recognized oil and gas consultants RISC (Announced 4 March 2014) using probabilistic estimation methods. These statements were not prepared to comply with the China Petroleum Reserves Office (PRO-2005) standards or the U.S. Securities and Exchange Commission regulations and have not been verified by SGE's PSC partners CNPC and CUCBM. EMV is the probability weighted net present value (NPV), including the range of project NPVs and the risk of the project not progressing. Project NPV10 is based on a mid-case wellhead gas price of $US8.79/Mscf and lifting costs (opex+capex) of ~ US$1.5/Mscf for mid-case Reserves, Contingent & Prospective Resources. All resource figures quoted are unrisked mid-case unless otherwise noted. Sino Gas' attributable net Reserves & Resources assumes PSC partner back-in upon ODP approval, CBM Energy's option to acquire an interest of 5.25% in the Linxing PSC (by paying 7.5% of back costs) is exercised, and MIE fulfil funding obligations under the strategic partnership agreement. Reserves & Resources are net of 4% in-field fuel for field compression and field operations. Reference point is defined to be at the field gate. No material changes have occurred in the assumptions and subsequent work program exploration and appraisal results have been in line with expectations.

Qualified Reserves and Resources Evaluator

Information on the Reserves and Resources in this annual report is based on an independent evaluation conducted by RISC Operations Pty Ltd (RISC), a leading independent petroleum advisory firm. The evaluation was carried out by RISC under the supervision of Mr Peter Stephenson, RISC Partner, in accordance with the SPE-PRMS guidelines. Mr Stephenson has a M.Eng. in Petroleum Engineering and 30 years of experience in the oil and gas industry. RISC consents to the inclusion of this information in this annual report.

RISC is an independent advisory firm that evaluates resources and projects in the oil and gas industry. RISC offers the highest level of technical, commercial and strategic advice to clients around the world. RISC services include the preparation of independent reports for listed companies in accordance with regulatory requirements. RISC is independent with respect to Sino Gas in accordance with the Valmin Code, ASX listing rules and ASIC requirements.

Reserves and Resources Governance

Exploration and appraisal data is prepared by third-party contractors before being reviewed and signed-off by the Operations team. Independent consultants RISC are engaged to prepare all publically released Reserves and Resources assessments to SPE PRMS standards. Under Sino Gas' disclosure policies all statements of Reserves and Resources are approved by the Chairman and Managing Director / CEO prior to release. Public reporting of Reserves or Resources estimates are prepared in accordance with the requirements set out in Chapter 5 of the ASX Listing Rules and the Company's continuous disclosure policy.

Directors' Report

Your directors present their report on the consolidated entity (the "Company" or the "Group" or "Sino Gas") consisting of Sino Gas & Energy Holdings Limited and the entities it controlled at the end of, or during, the year ended 31 December 2013. Sino Gas is a company limited by shares that is incorporated and domiciled in Australia.

On 6 July 2012, Sino Gas & Energy Limited (SGE), which holds interests in the Linxing (64.75%) and Sanjiaobei (49%) Production Sharing Contracts (PSCs) was deconsolidated from the group accounts as a result of the completion of the strategic transaction with MIE Holdings Corporation (MIE).

(a) Directors

The following persons were directors of Sino Gas & Energy Holdings Limited during the financial year and up to the date of this report, unless otherwise indicated:

G Harper (Chairman) (Retired 30 June 2013 as Executive Chairman and was appointed as Non-executive Chairman 1 July 2013)

R Bearden (Managing Director & CEO)

B Ridgeway (Non-Executive Director)

C Heseltine (Non-Executive Director)

P Mills resigned as Non-Executive Director on 17 May 2013

(b) Principal activities

The Company's principal continuing activities during the course of the financial year were appraising unconventional gas resources onshore China through its investment in Sino Gas & Energy Limited.

(c) Dividends

No dividends were paid or declared to members during the financial year (2012: Nil).

(d) Operating Results for the year

The Consolidated Entity made a profit for the year ended 31 December 2013 of $1,401,593 (31 December 2012: profit of $463,206). As at 31 December 2013, the Consolidated Entity had cash and cash equivalents of $64,002,742 (2012: $7,749,124) and net assets of $110,724,529 (2012: $39,568,361).

(e) Review of Operations

The review of operations of the Group is contained in the Chairman's and Managing Director's Reports on pages 4 and 5 respectively, and the Review of Operations on pages 7 to 9 of the Annual Report and forms part of this report.

(f) Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group which have not been disclosed elsewhere in the Annual Report.

(g) Matters subsequent to the end of the financial year

Subsequent to year end the following key events have occurred:

- On 2 January 2014, the Company announced that settlement of the second tranche of the Placement announced on 27 November 2013 was completed on 31 December 2013 via the issue of 75,438,600 shares at 20 cents per share to raise A$15,087,720 (gross). The shares were recorded in the Company's issued capital on 2 January 2014.
- On 10 February 2014, the Company issued 1,714,286 ordinary shares upon the conversion of Performance Rights.
- On 4 March 2014, the Company announced the results of an independent Reserves and Resources assessment from RISC on the Linxing and Sanjiaobei Production Sharing Contracts as at 31 December 2013. Refer to page 10 for a statement of the Reserves and Resources.

- On 24 March 2014, the Company announced that Mr Bearden had informed the board of his intention to retire from the position of Managing Director & CEO for personal reasons.

(h) Future Developments

Business strategy

Sino Gas's strategy is to maximise the value of its Ordos Basin projects in Shanxi Province, People's Republic of China through the safe and efficient execution of our agreed work programs in order to monetise the assets and increase shareholder value.

In 2014, the Company aims to deliver on this strategy by meeting the following objectives:

- Aggressive Capital Program - US$137 million capital program aiming to nearly double the number of wells drilled on project to date and deliver first pilot pipeline gas sales.
- Further Exploration – Complete seismic and drilling for first round of Chinese Reserve Report submissions on both PSCs.
- Central Gathering Stations - Complete construction and commissioning of both facilities and intrafield pipelines to tie-in wells.
- Pilot Pipeline Gas Sales on Both PSCs - Begin gas sales on both PSCs and ramp up production through drilling, completion and tie-in 45 additional wells planned.
- Chinese Reserve Reports Submitted – First round of CRRs to be submitted for approval on both PSCs and receive final approval on Linxing (East) CRR.
- Gas Sales Contract on Sanjiaobei - Framework agreement signed in 2011 with negotiations underway to finalize the contract mid-year.

Sino Gas aims to deliver value to shareholders whilst adhering to best international practice occupational health & safety standards in all our operations, operating in a sustainable and environmentally responsible manner, engaging the communities in which we operate and building the capabilities of the local workforce.

Material business risks

Management have identified the following business risks which have the potential to impact Sino Gas' operational and financial performance:

- Changes in the fiscal, tax and regulatory environment in the People's Republic of China and Australia.
- Regulatory approval processes impacting the Company's ability to fully develop the gas assets.
- Currency and commodity price fluctuations impacting the price received for the sale of gas.
- Actual future well production which varies from current estimates and forecasts impacting the total amount of gas sold.
- Implementation of work programs do not meet estimated schedules and budgets due to external factors such as availability of equipment and adverse weather.
- Inherent health, safety and environmental risks associated with field operations which are continually monitored and managed by the Company.

(i) Information on Directors & Company Secretary

The names, particulars, experience and qualifications of the Directors of the Company during the financial year and up to the date of this report are detailed below:

G Harper
Chairman
BA from University of Kent at Canterbury and Diploma in Business Administration from Strathclyde University, M*AICD*

Experience and expertise

Gavin has been involved with the Company since June 2006 in various capacities and was appointed as a director of the Company on 14 March 2008.

Gavin has more than 36 years' experience in the oil and gas industry in a variety of leadership roles, primarily with Chevron Corporation for 25 years. He has broad experience of working in both operating and non-operating roles in complex joint ventures – in Asia, Australia and the UK. His most recent role with Chevron was as Managing Director of Chevron's gas business development company in Korea.

Gavin retired on 30 June 2013 from the position of Executive Chairman and was appointed as Non-executive Chairman on 1 July 2013.

Other current directorships

Renewable Heat and Power Limited (Chairman)

Omega Resources Limited

Rampart Resources Limited (ASX:RTD)

Sino Gas & Energy Limited

Former directorships in last 3 years

NuEnergy Capital Limited from 23 April 2007 to 30 April 2011 (ASX: NGY)

Special responsibilities

Chair of the board

Member of Nomination & Remuneration Committee and Audit Committee

Sino Gas & Energy Limited Director

Interests in Shares, Options and Performance Rights

14,104,600 Ordinary Shares

R Bearden
Managing Director & CEO
Bachelor of Science degree from Texas A&M University (USA), Master of Engineering (Petroleum Engineering) from Tulane University (USA), a Master of Business Administration from Purdue University (USA) & International Masters of Management from the European School of Management in Paris (France).

Experience and expertise

Robert has 30 years' experience in the upstream petroleum industry, predominantly in the areas of field development and production operations at Chevron. His early career with Chevron included a variety of technical and operational roles, before moving onto various executive management roles including Senior Vice President Indonesia, General Manager Kazakhstan and Managing Director Mid-Africa. Since leaving Chevron, his most recent role has been as Operations Director for Addax Petroleum, a Sinopec subsidiary with substantial production operations in Africa and the Middle East.

Other current directorships

Sino Gas & Energy Limited

Former directorships in last 3 years

None

Special responsibilities

Chief Representative of Beijing Representative Office

Sino Gas & Energy Limited Director

Interests in Shares, Options and Performance Rights

4,391,666 Ordinary Shares

20,958,333 Performance Rights

B W Ridgeway
Non-Executive Director
B. Bus (Accounting), ACA, AICD

Experience and expertise

Bernie was a foundation shareholder and Director of Sino Gas responsible for initially recognizing the potential to develop a clean energy business in China. He has been instrumental in the formation and direction of Sino Gas and negotiated the original farm-in with Chevron in late 2005/early 2006.

He has been involved with a number of public and private companies for over 25 year as owner, director and manager in which he has gained extensive experience and expertise in finance, administration, marketing and business development.

Bernie is the Managing Director of Imdex Limited (ASX:IMD), a successful drilling fluids and down hole instrumentation company servicing mining, oil and gas, water well, and civil engineering industries worldwide.

Other current directorships

Imdex Limited since 23 May 2000 (ASX: IMD)

Former directorships in last 3 years

None

Special responsibilities

Chair of Audit Committee

Member of Nomination & Remuneration Committee

Interests in Shares, Options and Performance Rights

11,355,000 Ordinary Shares

P Mills (Resigned 17 May 2013)
Non-Executive Director
BEng

Experience and expertise

Peter has extensive experience in the upstream Oil and Gas business in technical and general management roles working in Europe, Northern Africa, Asia and Australia. Over the past 29 years Peter has worked for Woodside, BHP Petroleum, Hess and Premier Oil in areas of field development, operations management, joint venture management and commercial negotiation.

Peter retains a strong technical involvement in oil and gas operations, particularly in field development, production optimisation and the application of technology to enhance production and value. His most recent work has focused on development of unconventional tight gas reservoirs.

Other current directorships

None

Former directorships in last 3 years

Managing Director of Eureka Energy Limited (ASX: EKA) from 19 October 2010 to 30 April 2012

Special responsibilities

Chair of Nomination & Remuneration Committee

Member of Audit Committee

C Heseltine
Non-Executive Director
B. Bus

Experience and expertise

Colin had a forty year career with the Australian Department of Foreign Affairs and Trade (1969-2008), which included many postings in the Asian region and senior policy advisory positions in Australia.

Colin was appointed China Strategic Consultant to the Company on 22 July 2011 and both the board and China based management team have benefited from his extensive knowledge of doing business in the Asian region. Colin's expertise will be invaluable as the Company moves towards development of its Chinese gas assets.

Colin was appointed to the Board on 30 January 2012.

Other current directorships

Sino Gas & Energy Limited

Former directorships in last 3 years

None

Special responsibilities

Chair of Nomination & Remuneration Committee

Member of Audit Committee

Sino Gas & Energy Limited Director

Interests in Shares, Options and Performance Rights

300,000 Ordinary Shares

3,000,000 Performance Rights

H Spindler
Company Secretary
B. Bus, CA, A Fin

Experience and expertise

Harry has over 10 years experience with major Corporate Recovery and Advisory Firms. Harry is a member of the Institute of Chartered Accountants in Australia and a member of the Financial Services Institute of Australia. In September 2008, Harry joined Indian Ocean Advisory Group who specialized in growth, corporate and taxation matters. During his career, Harry has worked on high profile restructuring engagements in mining and assists in advising a number of ASX listed mining companies.

Harry also acts as Company Secretary for Central Asia Resources Limited (ASX: CVR) since 9 April 2013.

Other current directorships

None

Former directorships in last 3 years

None

Interests in Shares, Options and Performance Rights

36,152 Ordinary Shares

(j) Directors' Shareholdings

The interests of Directors in the share capital of the Company as at the date of this report are detailed in section (i) of the Directors reports, pages 14 to 17.

(k) Directors' Meetings & Committee Meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member) of the Company. During the financial year, 10 Board meetings were held.

	Meetings of Directors		Meetings of Audit Committee		Meetings of Nomination & Remuneration Committee	
	Eligible to attend	Attended	Held	Attended	Held	Attended
G Harper	5	5	1	1	2	2
R Bearden	5	5	-	-	-	-
BW Ridgeway	4	4	2	2	3	3
C Heseltine	5	5	2	2	3	3
P Mills – resigned 17 May 2013	1	1	1	1	1	1

Members of the Audit and Nomination & Remuneration committees as at the date of this report are noted in the table below.

Audit Committee	Nomination and Remuneration Committee
B W Ridgeway (Chair)	C Heseltine (Chair)
C Heseltine	B W Ridgeway
G Harper	G Harper

(I) Remuneration report

The Directors are pleased to present your company's 31 December 2013 remuneration report which sets out remuneration information for Sino Gas & Energy Holdings Limited's non-executive directors, executive directors and other key management personnel.

The remuneration report is set out under the following main headings:

- Directors and senior management details
- Remuneration policy
- Service agreements
- Relationship between the remuneration policy and company performance
- Details of remuneration
- Share-based payments

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Director and senior management details

The following persons acted as directors during the financial year:

G Harper	Chairman
R Bearden	Managing Director & CEO
BW Ridgeway	Non-Executive Director
C Heseltine	Non-Executive Director
P Mills (Resigned on 17 May 2013)	Non-Executive Director

For the purposes of this report "senior management" are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company. The following staff were considered to act as senior management during the reporting period:

J Hodgson (Commenced 2 October 2013)	Chief Financial Officer
H Spindler	Company Secretary

Remuneration Policy

The performance of the Company largely depends upon the quality of its directors and senior management. To prosper, the Company must attract, motivate and retain highly skilled directors and senior management. The remuneration policies of the Company are framed accordingly. The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered and aimed to align executive reward with the achievement of strategic objectives and the creation of value for shareholders.

The Company has a Nomination and Remuneration Committee. The Nomination and Remuneration committee is responsible for reviewing and making recommendations to the Board on compensation arrangements for the directors and the executive team of both the Group and the Company. The Nomination and Remuneration committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis. The overall objective is the retention of a high quality board and executive team, to maximise value of the shareholders' investment.

Share options and performance rights may also be issued as an added inducement to directors and senior management to maximise their efforts in achieving the highest possible return for shareholders. Details regarding the issue of share options and performance rights are provided in *Shared-based payments* below.

In 2013 the Nomination and Remuneration Committee engaged PricewaterhouseCoopers to benchmark the Director's remuneration against industry standards. These results were presented to the Nomination and Renumerating committee for consideration in the annual review process. A fee of $10,450 (GST inclusive) was paid for this service. During the benchmarking exercise, the consultant liaised directly with the Chair of the Nomination & Remuneration Committee and management only became involved to the extent of providing factual information.

Non-Executive Directors' remuneration

Fees and payments to non-executive directors reflect their experience, expertise and their duties and responsibilities as directors. The cash remuneration of directors is not linked to the company's performance in order to preserve independence.

Remuneration of non-executive directors is determined by the Board within the aggregate directors' fee pool limit which is periodically recommended for approval by the shareholders. The amount of aggregate remuneration and the manner in which it is apportioned amongst directors is reviewed annually by the Board. The aggregate total fees payable was last considered by shareholders in 2012 and capped at a maximum of $750,000 per year and non-executive directors are not provided with any retirement benefits other than superannuation. Shareholder approval is sought where there is a proposed change in the total remuneration paid to non-executive directors. In addition, the Board seeks shareholder approval for any options or performance rights that may be issued to any directors. The Board considers the Company's particular circumstances as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review.

Executive Directors' remuneration

Fees and payments to executive directors reflect their experience, expertise and their executive day-to-day duties and responsibilities as directors. Remuneration of executive management is reviewed annually taking into consideration the contribution of the individual commensurate with the performance of the Company and comparable employment market conditions. For executive directors based in Beijing, the Company also provides necessary housing, a vacation travel allowance, insurance and other benefits normal in arrangements for such expatriate employees.

Senior Management remuneration

The remuneration of senior management is generally reviewed annually taking into consideration the contribution of the individual commensurate with the performance of the Company and comparable employment market conditions. Senior Management is entitled to participate in the Company's Performance Rights Plan. For senior management based in Beijing, the Company also provides necessary housing, a vacation travel allowance, insurance and other benefits normal in arrangements for such expatriate employees.

Service Agreements

(i) G Harper was appointed Chairman on 1 January 2011 and transitioned to full-time Executive Chairman on 1 November 2011. He is party to a consultancy agreement effective from 1 November 2011 expiring on 30 June 2013 that sets out a fixed compensation package denominated in Australian Dollars and reviewable annually. G Harper retired from his role at his contract expiry at 30 June 2013. Mr Harper has undertaken the role of Non-Executive Chairman from 1 July 2013.

(ii) R Bearden was appointed President & CEO of SGEH and SGE on 18 May 2012 under a three year contract. He was later appointed to the board on 1 September 2012 as Managing Director & CEO. The contract sets out a fixed compensation package denominated in United States Dollars, is reviewable annually and extendable by agreement. The contract also provides for the provision of necessary housing, a vacation travel allowance, insurance, and tax equalisation between US and China, and other benefits normal in arrangements for an expatriate employee based in Beijing. In the event that employment is terminated by Sino Gas without cause, Mr Bearden is entitled to a payment of six months' salary.

(iii) P Mills resigned as non-executive director on 17 May 2013.

(iv) J Hodgson was appointed Chief Financial Officer on 2 October 2013 under a three year contract. The contract sets out a fixed compensation package denominated in United States Dollars, is reviewable annually and extendable by agreement. The contract also provides for the provision of necessary housing, a vacation travel allowance, insurance and other benefits normal in arrangements for an expatriate employee based in Beijing. In the event that employment is terminated by Sino Gas without cause, Mr Hodgson is entitled to a payment of three months' salary.

(v) H Spindler was appointed Company Secretary on 2 November 2010. Fees were paid to Indian Ocean Advisory Group Pty Ltd, a related entity of Mr Spindler, of which he is an employee, for Company Secretary, consulting and administrative services.

Relationship between the remuneration policy and Company performance

The performance of the Company largely depends upon the quality of its directors and senior management. To prosper, the Company must attract, motivate and retain highly skilled directors (both executive and non-executive) and senior management. The Board of the Company believes that in order to retain quality directors and senior management, some incentive to maintain their future services, involvement, commitment and loyalty to the Company, is required on certain occasions over and above nominal Directors' and executive fees and salaries.

Shareholders have approved the implementation of a Performance Rights plan. The rights to be granted under this plan are dependent on company performance. Each performance right is conditional upon the achievement of certain performance hurdles, which are linked to the company's overall performance on its exploration and development plans. The specific performance hurdles which have been set to date and are linked to the Company achieving an Overall Development Plan to a certain minimum level and share price performance take account of the achievement of the Overall Development Plan on the Company's prospects of monetization its assets and the likely impact this will have on the company. Each of these performance hurdle steps is of importance in its own right as well as being on the critical path to full commercial production. Accordingly each performance hurdle has been set as a hurdle as the Company builds momentum to achieve full commercial production and in parallel an anticipated increase in shareholder value.

In prior financial years, options were granted to senior management personnel under the employee share option plan. Under this plan options generally vest over a three year period and vesting is subject to these persons remaining employed with the Group during the vesting period, unless otherwise agreed by the Board, not in relation to the Company's performance.

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to 31 December 2013.

	31 December 2009	31 December 2010	31 December 2011	31 December 2012	31 December 2013
Revenue ($)	137,382	172,422	79,164	75,578	384,418
Net profit / (loss) before tax ($)	(2,300,720)	1,067,377	(4,193,773)	463,206	1,401,593
Net profit / (loss) after tax ($)	(2,300,720)	1,067,377	(4,193,773)	463,206	1,401,593
Share price at the start of the year (cents)	19*	14	7	3	13
Share price at the end of the year (cents)	14	7	3	13	20
Dividends	-	-	-	-	-
Basic earnings per share	(1.69)	0.19	(0.43)	0.04	0.11
Diluted earnings per share	(1.69)	0.19	(0.43)	0.03	0.11

* This price represents the Company's closing share price on its official listing on the ASX on 15 September 2009.

Details of remuneration

The following tables show details of the remuneration received by the directors and the key management personnel of the group for the current and previous financial year (with reference to their respective service agreements detailed above).

	Short-term employee benefits				Post-employment benefits	Share-based payments			
2013	Cash salary and fees $	Cash bonus $	Non-monetary $	Other benefits	Superannuation $	Equity options $	Performance rights $	Total $	% relating to options & performance rights
Directors									
G Harper, Chairman	299,937	-	-	-	-	-	6,203	306,140	2%
R Bearden, Chief Executive Officer	512,059	-	410,429	-	-	-	1,105,663	2,028,151	55%
C Heseltine, Non-Executive Director	113,938	-	-	-	9,906	-	57,787	181,631	32%
B Ridgeway, Non-Executive Director	75,000	-	-	-	6,844	-	-	81,844	-
P Mills, Non-Executive Director	28,427	-	-		2,558	-	(31,914)	(929)	-
Sub-total of directors	1,029,361	-	410,429	-	19,308	-	1,137,739	2,596,837	
Executives									
J Hodgson, Chief Financial Officer	50,824	-	28,496	-	-	-	9,770	89,090	11%
H Spindler, Company Secretary	66,000	-	-	-	-	-	-	66,000	-%
Total key management personnel compensation (group)	1,146,185	-	438,925	-	19,308	-	1,147,509	2,751,927	

Note: As a result of Robert Bearden's decision to retire from the position of Managing Director and CEO announced on 24 March 2014, some of his share-based remuneration may be forfeited.

Details of remuneration (continued)

	Short-term employee benefits				Post-employment benefits	Share-based payments			
2012	Cash salary and fees $	Cash bonus $	Non-monetary $	Other benefits	Superannuation $	Equity options $	Performance rights $	Total $	% relating to options & performance rights
Directors									
G Harper, Executive Chairman	413,292	-	-	-	-	-	454,480	867,772	52%
R Bearden, Chief Executive Officer	304,291	-	84,940	-	-	-	155,151	544,382	29%
J Chandler, Non-Executive Director	70,750	-	-	-	5,625	-	233,513	309,888	75%
C Heseltine, Non-Executive Director	84,837	-	-	-	27,550	-	87,132	199,519	44%
B Ridgeway, Non-Executive Director	80,000	-	-	-	7,200	-	-	87,200	-
P Mills, Non-Executive Director	78,333	-	-		7,050	-	31,914	117,297	27%
S Lyons, Managing Director	153,000	-	114,429	7,055	13,656	-	(60,295)	227,845	(26)%
Sub-total of directors	1,184,503	-	199,369	7,055	61,081	-	901,895	2,353,903	
Executives									
F Fu, Chief Operating Officer	118,752	-	-	5,519	-	-	(35,566)	88,705	(40)%
N Bong, Chief Financial Officer	96,390	10,710	-	1,824	-	-	22,318	131,242	17%
H Spindler, Company Secretary	66,000	-	-	-	-	-	-	66,000	-
Total key management personnel compensation (group)	1,465,645	10,710	199,369	14,398	61,081	-	888,647	2,639,850	

The Performance Rights amounts recorded above for the financial year ended 31 December 2013 and 31 December 2012 represent the performance rights expense recognised during the vesting period in relation to the performance rights granted, as approved by shareholders.

During the year ended 31 December 2013, due to the level of activity, it has been necessary for some board members to perform and devote more time and resources than what would ordinarily be required of a non-executive director. Accordingly, additional consulting fees have been paid to these non-executive directors. These amounts are included in the total of cash salary and fees above. No director or member of senior management appointed during the year received a payment as part of consideration for agreeing to hold the position.

Share-based payments

Performance rights plan

The Group has an ownership-based compensation scheme for directors and senior management of the Group.

Under the performance rights plan, each performance right converts to one ordinary share of Sino Gas & Energy Holdings Limited on exercise. No amounts are paid or payable by the recipient on receipt of the performance right or share. Performance Rights may be exercised at any time from the date the performance criteria and vesting conditions have been met to the date of expiry. Refer to "Relationship between the remuneration policy and company performance" above for details of the basis for granting performance rights and vesting criteria.

During the financial year ended 31 December 2013, the Company issued 16,524,999 Performance Rights to the following Directors and senior management:

Name	Exercise price	Grant date	Issue date	Expiry date	Key terms (refer to Note 27)	Performance Rights at 31 Dec 2013 No.	Grant date fair value
R Bearden	Nil	23 May 2013	27 May 2013	31 Mar 2014	(gg)	5,306,250	$0.00126, $0.01638 & $0.126
R Bearden	Nil	23 May 2013	27 May 2013	30 Sept 2014	(hh)	1,047,916	$0.126
R Bearden	Nil	23 May 2013	27 May 2013	30 Sept 2014	(ii)	1,047,916	$0.126
R Bearden	Nil	23 May 2013	27 May 2013	31 Mar 2015	(jj)	1,047,917	$0.126
R Bearden	Nil	23 May 2013	27 May 2013	1 Sept 2015	(kk)	7,075,000	$0.126
J Hodgson	Nil	24 Dec 2013	24 Dec 2013	28 Feb 2015	(ll)	250,000	$0.195
J Hodgson	Nil	24 Dec 2013	24 Dec 2013	30 Jun 2015	(mm)	250,000	$0.195
J Hodgson	Nil	24 Dec 2013	24 Dec 2013	31 Mar 2015	(nn)	500,000	$0.01365

During the financial year ended 31 December 2013, 22,866,666 Performance Rights to the following directors and senior management were exercised or lapsed either voluntarily or due to termination of employment:

Name	Exercise / Lapsed	Exercise price	Grant date	Issue date	Expiry date	No of Performance Rights Lapsed/Exercised
G Harper	Exercised	Nil	8 Nov 2010	8 Nov 2010	8 Nov 2015	750,000
G Harper	Exercised	Nil	14 Dec 2010	22 Feb 2011	8 Mar 2014	6,250,000
G Harper	Exercised	Nil	5 Dec 2011	12 Dec 2011	26 Dec 2014	4,000,000
G Harper	Exercised	Nil	30 May 2012	29 Jun 2012	31 Mar 2014	1,152,948
G Harper	Lapsed	Nil	30 May 2012	29 Jun 2012	31 Mar 2014	2,147,052
R Bearden	Lapsed	Nil	30 Jul 2012	30 Jul 2012	31 Mar 2014	1,375,000
R Bearden	Exercised	Nil	30 Jul 2012	30 Jul 2012	31 Mar 2014	1,375,000
R Bearden	Exercised	Nil	23 May 2013	27 May 2013	31 Mar 2014	1,768,750
R Bearden	Exercised	Nil	23 May 2013	27 May 2013	30 Sept 2014	1,047,916
P Mills	Lapsed	Nil	30 May 2012	29 Jun 2012	29 Sept 2015	3,000,000

As at 31 December 2013, 24,958,333 Performance Rights are on issue to the following directors and senior management:

Director	Exercise price	Grant date	Issue date	Expiry date	Key terms (refer to Note 27)	Performance Rights at 31 Dec 2013 No.
C Heseltine	Nil	17 Nov 2011	17 Nov 2011	17 Nov 2016	(bb) (ii) & (iii)	1,000,000
C Heseltine	Nil	30 May 2012	29 Jun 2012	29 Sept 2015	(bb) (ii) & (iii)	2,000,000
R Bearden	Nil	30 Jul 2012	30 Jul 2012	31 Mar 2014	dd)(i) & (iv)	2,750,000
R Bearden	Nil	30 Jul 2012	30 Jul 2012	1 Sept 2015	(ee)	5,500,000
R Bearden	Nil	23 May 2013	27 May 2013	31 Mar 2014	(gg) (i) & (iii)	3,537,500
R Bearden	Nil	23 May 2013	27 May 2013	30 Sept 2014	(hh)	1,047,916
R Bearden	Nil	23 May 2013	27 May 2013	31 Mar 2015	(jj)	1,047,917
R Bearden	Nil	23 May 2013	27 May 2013	1 Sept 2015	(kk)	7,075,000
J Hodgson	Nil	24 Dec 2013	24 Dec 2013	28 Feb 2015	(ll)	250,000
J Hodgson	Nil	24 Dec 2013	24 Dec 2013	30 Jun 2015	(mm)	250,000
J Hodgson	Nil	24 Dec 2013	24 Dec 2013	31 Mar 2015	(nn)	500,000
						24,958,333

The terms and conditions of each grant of performance rights affecting remuneration in the current or a future period are as follows:

Performance Right series (by issued date)	No. of Performance Rights	Grant date per accounting standards	Expiry date	Grant date fair value	Key terms (refer to Note 27)	% Vested
8 Nov 2010	750,000	8 Nov 2010	8 Nov 2015	$0.07	(aa)	100%
22 Feb 2011	6,250,000	14 Dec 2010	8 Mar 2014	$0.07	(bb)	100%
12 Dec 2011	4,000,000	5 Dec 2011	26 Dec 2014	$0.038	(bb) (ii) & (iii)	100%
17 Nov 2011	1,000,000	17 Nov 2011	17 Nov 2016	$0.041	(bb) (ii) & (iii)	100%
29 June 2012	3,300,000	30 May 2012	31 Mar 2014	$0.013, $0.005 & $0.002	(cc)	35%
29 June 2012	5,000,000	30 May 2012	29 Sept 2015	$0.053	(bb), (ii) & (iii)	40%
30 July 2012	5,500,000	30 Jul 2012	31 Mar 2014	$0.007, $0.002 & $0.075	(dd)	75%
30 July 2012	5,500,000	30 Jul 2012	1 Sept 2015	$0.075	(ee)	50%
27 May 2013	15,524,999	23 May 2013	31 Mar 2014, 30 Sept 2014, 31 Mar 2015 & 1 Sept 2015	$0.00126, $0.01638 $0.126	(gg), (hh), (ii), (jj) & (kk)	91%
24 Dec 2013	1,000,000	24 Dec 2013	28 Feb 2015, 30 Jun 2015 & 31 Mar 2015	$0.195, $0.195 & $0.01365	(ll), (mm) & (nn)	-

Employee share option plan

The Group has an ownership-based compensation scheme for directors and senior management of the Group, although the employee Share Option Plan has now been effectively replaced by the Performance Rights Plan (as detailed above).

Under the employee share option plan, each employee share option converts to one ordinary share of Sino Gas & Energy Holdings Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry. Refer to "Relationship between the remuneration policy and company performance" above for details of the basis for granting options and vesting criteria.

During the financial year, the following share-based option payment arrangements were in existence:

Options series	Grant date per accounting standards	Expiry date	Grant date fair value	Vesting date
(i) Unlisted 50 cents issued 14 Mar 2008	14 Mar 2008	13 Mar 2013	$0.28	1 Mar 2009, 1 Mar 2010 & 1 Mar 2011
(ii) Unlisted 50 cents issued 14 Mar 2008	14 Mar 2008	13 Mar 2013	$0.30	1 Sept 2008, 1 Sept 2009 & 1 Sept 2010

The abovementioned options expired unexercised on 13 March 2013.

No options were issued under the employee share option plan during the current financial year. Further details of the employee share option plan are disclosed in Note 27 to the financial statements.

(m) Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

(n) Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors, Company Secretary, and all executive officers of the Company against a liability incurred as such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has entered into Deeds of Insurance, Access and Indemnity with the Directors and Company Secretary of the Company.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such an officer or auditor.

(o) Environmental Regulation

The Company's joint venture is required to carry out its activities in accordance with the Chinese laws and regulations in the areas in which it undertakes its exploration, development and production activities. The Company is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect to its operating activities.

(p) Shares under Options

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise price	Number on issue
15 Feb 2012	15 Feb 2017	$0.075	30,000,000
			30,000,000

No person entitled to exercise the options has any right by virtue of the options to participate in any share issue of the Company.

Shares issued on the exercise of options

The following ordinary shares were issued by the Company during the year ended 31 December 2013 on the exercise of options:

Grant Date	Date issued	Number of Shares issued	Issue price of Shares	Amount Paid for Shares	Amount Unpaid on Shares
25 Jun 2010 & 23 Dec 2010	8 Jan 2013	27,265,345	$0.125	$3,408,168.13	-
27 Apr 2011	31 May 2013	2,000,000	$0.0793	$158,600.00	-
27 Apr 2011	24 Sep 2013	5,775,000	$0.0793	$457,957.50	-
27 Apr 2011	25 Sep 2013	975,000	$0.0793	$77,317.50	-
		36,015,345		$4,102,043.13	

There have not been any ordinary shares issued since 31 December 2013 upon the exercise of options.

Movement in Share Options

There were no share options issued during the year ended 31 December 2013. No further share options have been issued since that date.

The following share options expired during the year ended 31 December 2013 in accordance with their terms and conditions:

Grant Date	Date expired	Option Exercise Price	Number of Options
25 Jun 2010	1 January 2013	$0.125	303,751,716
14 Mar 2008	13 March 2013	$0.50	1,310,000
			305,061,716

There has not been any share options expired since 31 December 2013.

(q) Performance Rights

Shareholders have approved the implementation of a Performance Rights plan. The rights to be granted under this plan are dependent on Company performance. Each Performance Right is a personal contractual right to be satisfied through the issue or procurement of shares in the Company. A Performance Right may be exercised if it has not otherwise lapsed in accordance with the Executive, Officer and Employee Performance Rights Plan on the satisfaction of prescribed performance criteria within the performance period.

Details of performance rights on issue as at the date of this report are detailed out below. All Performance Rights have been issued by Sino Gas & Energy Holdings Limited.

Class of shares	Exercise price	Grant date	Issue date	Expiry date	Key terms (refer to note 27)	No. of shares under performance rights
Ordinary shares	Nil	30 Aug 2011	30 Aug 2011	30 Aug 2016	(bb)	2,500,000
Ordinary shares	Nil	17 Nov 2011	17 Nov 2011	17 Nov 2016	(bb)	750,000
Ordinary shares	Nil	17 Nov 2011	17 Nov 2011	17 Nov 2016	(bb) (ii) & (iii)	1,000,000
Ordinary shares	Nil	29 June 2012	29 June 2012	29 September 2015	(bb) (ii) & (iii)	1,750,000
Ordinary shares	Nil	30 May 2012	29 June 2012	29 September 2015	(bb) (ii) & (iii)	2,000,000
Ordinary shares	Nil	30 July 2012	30 July 2012	31 March 2014	(dd) (i) & (iv)	2,750,000
Ordinary shares	Nil	30 July 2012	30 July 2012	1 September 2015	(ee)	5,500,000
Ordinary shares	Nil	23 May 2013	27 May 2013	31 Mar 2014, 30 Sept 2014, 31 Mar 2015 & 1 Sept 2015	(gg)(i) & (iii), (hh), (jj) & (kk)	12,708,333
Ordinary shares	Nil	24 Dec 2013	24 Dec 2013	28 Feb 2015, 30 Jun 2015 & 31 Mar 2015	(ll), (mm) & (nn)	1,000,000
						29,958,333

Movement in Performance Rights

During the financial year ended 31 December 2013, the Company issued 16,524,999 Performance Rights to Directors and senior management:

Name	Exercise price	Grant date	Issue date	Expiry date	Key terms (refer to note 27)	Performance Rights at 31 Dec 2013 No.
R Bearden	Nil	23 May 2013	27 May 2013	31 Mar 2014	(gg)	5,306,250
R Bearden	Nil	23 May 2013	27 May 2013	30 Sept 2014	(hh)	1,047,916
R Bearden	Nil	23 May 2013	27 May 2013	30 Sept 2014	(ii)	1,047,916
R Bearden	Nil	23 May 2013	27 May 2013	31 Mar 2015	(jj)	1,047,917
R Bearden	Nil	23 May 2013	27 May 2013	1 Sept 2015	(kk)	7,075,000
J Hodgson	Nil	24 Dec 2013	24 Dec 2013	28 Feb 2015	(ll)	250,000
J Hodgson	Nil	24 Dec 2013	24 Dec 2013	30 Jun 2015	(mm)	250,000
J Hodgson	Nil	24 Dec 2013	24 Dec 2013	31 Mar 2015	(nn)	500,000

Please refer to section (m) of the Directors' Report on page 25 for further details of Performance Rights issued during the year.

During the financial year ended 31 December 2013, the 8,772,052 Performance Rights lapsed due to their terms and conditions or termination of employment and 16,344,614 Performance Rights were exercised, as detailed below:

Exercise / Lapsed	Exercise price	Grant date	Issue date	Expiry date	Key terms (refer to note 27)	No of Performance Rights lapsed
Lapsed	Nil	30 May 2012	29 Jun 2012	31 Mar 2014	(cc)	2,147,052
Lapsed	Nil	30 Jul 2012	30 Jul 2012	31 Mar 2014	(dd) (iil)	1,375,000
Lapsed	Nil	30 May 2012	29 Jun 2012	29 Sept 2015	(bb) (ii) & (iii)	3,000,000
Lapsed	Nil	8 Nov 2010	8 Nov 2010	8 Nov 2015	(aa)	1,000,000
Lapsed	Nil	30 Aug 2011	30 Aug 2011	30 Aug 2016	(bb)	1,250,000
Exercised	Nil	8 Nov 2010	8 Nov 2010	8 Nov 2015	(aa)	750,000
Exercised	Nil	14 Dec 2010	22 Feb 2011	8 Mar 2014	(bb)	6,250,000
Exercised	Nil	5 Dec 2011	12 Dec 2011	26 Dec 2014	(bb) (ii) & (iii)	4,000,000
Exercised	Nil	30 May 2012	29 Jun 2012	31 Mar 2014	(cc)	1,152,948
Exercised	Nil	30 Jul 2012	30 Jul 2012	31 Mar 2014	(dd)(ii)	1,375,000
Exercised	Nil	23 May 2013	27 May 2013	31 Mar 2014	(dd)(ii)	1,768,750
Exercised	Nil	23 May 2013	27 May 2013	30 Sept 2014	(ii)	1,047,916

The following performance rights have lapsed or been exercised since the end of the financial year:

Exercised or Lapsed	Exercise price / Issue Price	Grant date	Issue date	Expiry date	Key terms (refer to note 27)	No. of shares under performance rights
Exercised	Nil	14 Dec 2010	22 Feb 2011	8 Mar 2014	(bb) (i)	1,714,286
Lapsed	Nil	14 Dec 2010	22 Feb 2011	8 Mar 2014	(bb) (ii) & (iii)	4,285,714

(r) Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the group are important.

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in note 20 of the Financial Statements.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

(s) Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 30

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(t) Auditor

PwC continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

Robert Bearden

Managing Director

Perth

26 March 2013

Auditor's Independence Declaration

As lead auditor for the audit of Sino Gas & Energy Holdings Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sino Gas & Energy Holdings Limited and the entities it controlled during the period.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
26 March 2014

Annual Financial Report

	Notes	2013	2012
		$	$
Revenue from continuing operations			
Other revenue	4	384,418	75,578
Other Income			
Net gain on dilution of equity interest in joint venture	5	8,073,532	5,651,915
Foreign exchange gain	5	4,781	181,523
Expenses			
Fundraising costs expensed	6	(132,582)	(4,809,404)
Depreciation and amortisation expense	6	(16,391)	(1,364)
Share-based payment expense	27	(1,192,608)	(912,474)
General and administration expenses	6	(4,443,536)	(3,070,287)
Share of net loss of joint venture accounted for using the equity method	23	(1,276,021)	(550,525)
Profit/(loss) before income tax		1,401,593	(3,435,038)
Income tax expense	7	-	-
Profit /(loss) from continuing operations		1,401,593	(3,435,038)
Profit from discontinued operations	8	-	3,898,244
Profit for the year attributable to shareholders		1,401,593	463,206
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Exchange differences on translation to presentation currency	17	6,448,855	(717,079)
Total comprehensive income / (expense) for the period attributable to shareholders		7,850,448	(253,873)
		Cents	Cents
Earnings/(loss) per share for earnings/(loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	26	0.11	(0.31)
Diluted earnings per share	26	0.11	(0.31)
Earnings/(loss) per share for earnings/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share	26	0.11	0.04
Diluted earnings per share	26	0.11	0.03

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	31 December 2013 $	31 December 2012 $
ASSETS			
Current assets			
Cash and cash equivalents	9	64,002,742	7,749,124
Trade and other receivables	10	249,381	174,105
Total current assets		64,252,123	7,923,229
Non-current assets			
Interest in joint venture accounted for using equity method	23	44,415,762	31,831,076
Property, plant and equipment	11	82,068	9,886
Loan receivable	13	2,485,550	2,112,281
Total non-current assets		46,983,380	33,953,243
Total assets		111,235,503	41,876,472
LIABILITIES			
Current liabilities			
Trade and other payables	14	100,724	1,174,509
Provisions	15	410,250	170,582
Total current liabilities		510,974	1,345,091
Non-current liabilities			
Other payables	14	-	963,020
Total non-current liabilities		-	963,020
Total liabilities		510,974	2,308,111
Net assets		110,724,529	39,568,361
EQUITY			
Contributed equity	16	124,729,378	62,748,848
Reserves	17	6,566,925	(1,207,120)
Accumulated losses	18	(20,571,774)	(21,973,367)
Total equity		110,724,529	39,568,361

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

	Notes	Contributed equity	Equity settled benefits reserves	Foreign currency translation reserves	Accumulated losses	Total attributable to equity holders of the Company
		$	$	$	$	$
Balance at 1 January 2012		60,321,166	4,004,266	(6,354,343)	(22,436,573)	35,534,516
Loss for the year	18	-	-	-	463,206	463,206
Other comprehensive income	17	-	-	(717,079)	-	(717,079)
Total comprehensive expense for the year	17	-	-	(717,079)	463,206	(253,873)
Transactions with owners in their capacity as owners:						
Share issue costs	16	408,337	-	-	-	408,337
Pending issue of shares	16	2,019,345	-	-	-	2,019,345
Issue of performance rights	17	-	912,474	-	-	912,474
Share based payment	17	-	947,562	-	-	947,562
		2,427,682	1,860,036	-	-	4,287,718
Balance at 31 December 2012		62,748,848	5,864,302	(7,071,422)	(21,973,367)	39,568,361
Balance at 1 January 2012		62,748,848	5,864,302	(7,071,422)	(21,973,367)	39,568,361
Profit for the year	18	-	-	-	1,401,593	1,401,593
Other comprehensive income	17	-	-	6,448,855	-	6,448,855
Total comprehensive income for the year			-	6,448,855	1,401,593	7,850,448
Transactions with owners in their capacity as owners:						
Issue of shares	16	50,095,064	-	-	-	50,095,064
Pending issue of shares	16	15,087,720	-	-	-	15,087,720
Share issue costs	16	(3,202,254)	-	-	-	(3,202,254)
Performance rights expense	17	-	1,192,608	-		1,192,608
Option expense	17		132,582	-	-	132,582
		61,980,530	1,325,190	-	-	63,305,720
Balance at 31 December 2013		124,729,378	7,189,492	(622,567)	(20,571,774)	110,724,529

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	2013	2012
		$	$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(4,340,387)	(3,937,111)
Interest received		384,418	75,578
Net cash used in operating activities	25	(3,955,969)	(3,861,533)
Cash flows from investing activities			
Proceeds on sale of discontinued operations net of cash disposed		-	9,460,728
Payment of costs associated with sale of assets held for sale		(2,066,261)	(2,795,598)
Payments for plant and equipment		(83,178)	(20,555)
Payments for exploration expenditure		-	(1,778,577)
Net cash provided by/(used in) investing activities		(2,149,439)	4,865,998
Cash flows from financing activities			
Proceeds from issue of equity securities		65,182,784	2,430,682
Share issue costs (net of tax)		(3,202,254)	-
Repayment of borrowings		(119,214)	-
Net cash provided by financing activities		61,861,316	2,430,682
Net increase in cash and cash equivalents		55,755,908	3,435,147
Cash and cash equivalents at the beginning of the year		7,749,124	4,317,338
Effects of exchange rate changes on cash and cash equivalents		497,710	(3,361)
Cash and cash equivalents at end of the year	9	64,002,742	7,749,124

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Sino Gas & Energy Holdings Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001.* Sino Gas & Energy Holdings Limited is a for-profit entity for the purpose of preparing the financial statements. The financial statements were authorised by the Directors on 26 March 2014.

(i) Compliance with IFRS

The consolidated financial statements of the Sino Gas & Energy Holdings Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the group

The group has applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2013:

- *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements* and *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- *AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*
- *AASB 119 Employee Benefits (September 2011)* and *AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- *AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*
- *AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

The adoption of these Standards and Interpretations has not had an impact on the Group's accounting policies. Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Company has assessed the nature of its investment in SGE and determined it to be a joint venture, and hence will continue to be accounted for using the equity method. Additional disclosures required by AASB 12 relating to the Company's joint arrangements are set out in Note 23.

(iii) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 January 2013.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(v) Critical accounting judgements and key sources of estimation uncertainty

Management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(vi) Share based payment and performance rights transactions

The Company measures the cost of equity-settled transactions with employees and financiers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes valuation model, with the assumptions detailed in note 27. The accounting estimates and assumptions relating to equity-settled share-based payments impact the carrying amounts of assets and liabilities, expenses and equity in the current and future reporting periods.

(vii) Recoverability of the investment in the joint venture

The Company undertakes a review of the investment in joint venture accounted for under equity method whenever events or changes indicate that its carrying value may exceed its estimated net recoverable amount. The process of estimating the recoverable amount requires significant judgement in evaluation and assessing future commodity prices, production costs, sustainable capital requirements, foreign exchange rates, discount rates and income tax rates. If it is determined that the carrying value of the investment cannot be recovered the unrecovered amounts are recorded in the statement of profit or loss and other comprehensive income.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights.

(iii) Joint Ventures

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Sino Gas' interest in SGE is classified as a joint venture and is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss, and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income and reserves is recognised in reserves. Details relating to the joint venture are set out in Note 23.

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

(d) Foreign currency translation

(i) Functional and presentation currency

The presentation currency of the Company is Australian dollars. The functional currency of the Company is United States dollars. The functional currency of the Chinese representative office, the Chinese PSC Operations and the corporate office is United States dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date and recognised in the statement of profit or loss and other comprehensive income.

As at the reporting date the assets and liabilities of foreign operations are translated into the presentation currency of the Company at the rate of exchange ruling at the statement of financial position date and the statement of profit or loss and other comprehensive income is translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. However, exchange differences relating to intra-group monetary assets (or liability) have been recognised in the statement of profit or loss and other comprehensive income, as they do not form a net investment in a foreign operation.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets and financial assets that are carried at fair value which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and other comprehensive income.

(l) Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit / loss including financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the statement of profit or loss and other comprehensive income.

(ii) Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter year.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(m) Financial Instruments Issued by the Company

(i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(n) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting year.

The depreciation rate applicable to plant and equipment is generally 38% per annum.

(o) Exploration and Evaluation Expenditure

Areas of interest are recognised at the cash generating unit level, being the smallest grouping of assets generating independent cash inflows, which usually is represented by an individual gas field. For the Group this is determined at the level of each Production Sharing Contract (PSC).

Exploration expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
(ii) exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest rate method, except for financial liabilities at fair value through profit and loss and derivatives that are liabilities measured at fair value.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or uncollectability.

Where financial liabilities are extinguished by the Company issuing its own equity instruments, it recognises a gain or loss in statement of profit or loss and other comprehensive income which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

(r) Employee Benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(s) Share Based Payments

(i) Employee Share Options

Equity-settled share-based payments in the form of employee share options are measured at fair value at grant date. Fair value is measured by the use of the Black-Scholes option pricing model. The various assumptions used in the model have been adjusted based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. Further details can be found at Note 27 to the financial statements. The fair value at grant date is expensed on a straight line basis over the vesting period, based on management's estimate of the employee share options that will eventually vest. At each reporting date, the Company revises its estimates of the number of employee share options expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss of the respective period, with a corresponding adjustment to the equity settled employee benefits reserve.

(ii) Performance Rights

Equity-settled share-based payments in the form of performance rights are measured at fair value at the date of grant. Fair value is measured by the use of the Black-Scholes option pricing model. The fair value is expensed on a straight line basis over the vesting period and the probability of achieving the various conditions for the meeting the performance conditions and the conversion of the performance rights.

(iii) Share based payments to Corporate Advisors

Equity-settled share-based payments to consultants are measured at the fair value at grant date. The fair value is measured by the use of the Black-Scholes option pricing model or the securities quoted price.

The fair value of options granted to the Company's Corporate Advisor is recognised as an option expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Sino Gas & Energy Holdings Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Sino Gas & Energy Holdings Limited.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares from *continuing* operations and discontinued operations disclosed separately
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares *issued* during the year and excluding treasury shares (note 26(d)).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after *income* tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period beginning 1 January 2013 and have not been early adopted by the Group. The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 January 2013.

(aa) Parent entity financial information

The financial information for the parent entity, Sino Gas & Energy Holdings Limited, disclosed in Note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and jointly controlled entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Sino Gas & Energy Holdings Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary or joint venture or associate is treated as a capital contribution to that subsidiary or joint venture or associate undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised in the current period profit and loss as an increase to investment in subsidiary or joint venture or associate undertakings, with a corresponding credit to equity.

2 Financial Risk Management

(a) Capital risk management

The Group manages its capital to ensure the Group will be able to continue as a going concern while maximising the return to stakeholders. In that respect, the Group's overall strategy remains unchanged from the previous financial year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

The Company has a representative office in China while its joint venture SGE operates as a registered foreign business and is not subject to externally imposed capital requirements.

SGE is in the exploration phase on its PSCs with equity funding and debt being having been used to fund the operations of the Group to date.

(b) Categories of financial instruments

The categories of financial instruments are as per those disclosed in the statement of financial position.

(c) Financial risk management objectives

The Group is exposed to financial risks through the normal course of its business operations. The key risks impacting the Group's financial instruments are considered to be foreign currency risk and interest rate risk. The Group's financial instruments exposed to these risks are cash and short term deposits, receivables and payables.

The Board of the Company along with the Managing Director & CEO monitor the Group's risks on an ongoing basis and report to the Board. The Group does not use derivative financial instruments as part of its risk management process.

(d) Foreign currency risk management

The Group has significant operations operated from Beijing, Peoples Republic of China. The functional currency of the subsidiaries and associates in China is US dollars. The financial instruments of the Group are therefore exposed to movements in the US dollar, and the Chinese Renminbi (CNY) against the Australia dollar resulting from the translation of financial statements of subsidiaries into the Group's presentation currency of Australian dollars. The Company does not currently undertake any hedging activities to manage foreign currency risk.

The carrying amount of the Group's currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

31 December 2013	In AUD	In USD	In CNY	Total In AUD
Assets				
Cash and cash equivalents	57,304,148	6,354,650	343,944	64,002,742
Trade and other receivables	45,489	172,132	31,760	249,381
Other non-current assets	-	2,485,550	-	2,485,550
Liabilities				
Trade and other payables (short term)	51,883	28,283	20,558	100,724
31 December 2012	In AUD	In USD	In CNY	Total
Assets				
Cash and cash equivalents	5,063,402	2,685,722	-	7,749,124
Trade and other receivables	91,811	31,753	50,541	174,105
Other non-current assets	-	2,112,281	-	2,112,281
Liabilities				
Trade and other payables	87,480	1,070,239	16,790	1,174,509
Trade and other payables (long term)	-	963,020	-	963,020

The following exchange rates applied during the year:

	Average rate		Reporting date	
	2013	2012	31 December 2013	31 December 2012
	$	$	$	$
1 AUD equates to USD	0.968	1.036	0.895	1.038
1 CNY equates to USD	0.163	0.159	0.165	0.160

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% increase in the Australian dollar or Chinese Renminbi against the US dollar:

	Dec-13		Dec-12	
	AUD	CNY	AUD	CNY
	$	$	$	$
Impact on profit for the year: increase/(decrease)	5,729,775	35,515	506,773	3,375

The following table details the Group's sensitivity to a 10% decrease in the Australian dollar or Chinese Renminbi against the US dollar:

	Dec-13		Dec-12	
	AUD	CNY	AUD	CNY
	$	$	$	$
Impact on profit for the year: increase/(decrease)	(5,729,775)	(35,515)	(506,773)	(3,375)

(e) Interest rate risk management

The Group are exposed to interest rate risk as entities in the Group deposit funds at floating rates of interest.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

A 1% change in interest rates would have an effect of $113,719 (2012: nil) on the profit and loss as at the current year end.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of the Company, who oversee a liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring there are appropriate plans in place to finance these future cash flows.

The following table sets out a maturity analysis of the Groups Financial Liabilities:

	< 6 months	6-12 months	1-5 years	> 5 years	Total
	$	$	$	$	$
December 2013 Consolidated					
Trade and other payables	100,724	-	-	-	100,724
	100,724	-	-	-	100,724
December 2012 Consolidated					
Trade and other payables	986,139	88,756	99,614	-	1,174,509
Other payables	-	-	963,020	-	963,020
	986,139	88,756	1,062,634	-	2,137,529

Liquidity and interest rate tables:

	Weighted average interest rate	Floating interest rate	Less than 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
		$	$	$	$	$	$
31 December 2013							
Cash and cash equivalents	2%	64,002,742	-	-	-	-	64,002,742
Trade and other receivables		-	-	-	-	249,381	249,381
Loan to joint venture		-	-	-	-	2,485,550	2,485,550
		64,002,742	-	-	-	2,734,931	66,737,673
Trade and other payables		-	-	-	-	100,724	100,724
		-	-	-	-	100,724	100,724
31 December 2012							
Cash and cash equivalents	1%	7,749,124	-	-	-	-	7,749,124
Trade and other receivables		-	-	-	-	174,105	174,105
Loan to joint venture		-	-	-	-	2,112,281	2,112,281
		7,749,124	-	-	-	2,286,386	10,035,510
Trade and other payables		-	-	-	-	1,174,509	1,174,509
Other payables		-	-	-	-	963,020	963,020
		-	-	-	-	2,137,529	2,137,529

(g) Credit risk management

The Group's maximum exposure to credit risk without taking account of the value of any collateral obtained at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position. Credit risk on unrecognised financial instruments refers to the potential financial loss to the Group that may result from counter parties failing to meet their contractual obligations. The Group manages its counterparty credit risk by limiting its transactions to counterparties of sound credit worthiness and by ensuring a diversified number of counterparties, avoiding undue exposure to any single counterparty. The Group faced no significant credit exposures at balance date.

(h) Fair value of financial instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the consolidated financial statements represents or approximate their respective fair values.

3 Segment information

Operating segments have been identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors. On a regular basis, the board receives financial information on a consolidated basis similar to the financial statements presented in the financial report, to manage and allocated their resources. The Group has a single reporting segment for the purposes of financial reporting.

4 Revenue

	2013	2012
From continuing operations	$	$
Other revenue		
Interest income	384,418	75,578
Total other revenue	384,418	75,578

5 Other income & expenses

	2013	2012
	$	$
Foreign exchange gain/(loss)	4,781	181,523
Net gain on dilution of equity interest in joint venture (Note 23)	8,073,532	5,651,915
Total other gains and losses	8,078,313	5,833,438

6 Expenses

	2013	2012
	$	$
Profit/(loss) before income tax from continuing operations includes the following specific expenses:		
Fundraising costs expensed		
Financing fees	-	3,861,842
Options expense for corporate advisors	132,582	947,562
Total financing costs	132,582	4,809,404
Depreciation		
Plant and equipment	16,391	1,364
Total depreciation	16,391	1,364
General and administration expenses		
Administration expenses	1,156,210	234,245
Professional fees	606,467	771,416
Employment costs	2,023,180	1,623,087
Travel	256,165	236,517
Insurance	64,115	39,039
Office expenses	178,079	54,772
Other	159,320	111,211
Total General and administration expenses	4,443,536	3,070,287

7 Income Tax Expense

(a) Income tax expense:

	2013	2012
	$	$
Tax Expense is comprised of:		
Current Tax	-	-
Deferred tax	-	-
Income tax is attributed to:		
Profit/(Loss) from continuing operations	-	-
Loss from discontinued operations	-	-
Aggregate income tax expense	-	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2013	2012
	$	$
Profit/(loss) from continuing operations before income tax expense	1,401,593	(3,435,038)
Profit from discontinued operation before income tax expense	-	3,898,244
	1,401,593	463,206
Tax at the Australian tax rate of 30% (2012: 30%)	420,478	138,962
Less: Non-deductible and non-assessable non temporary items	(1,699,979)	2,272,096
Recognition of DTL on jointly controlled entity and prepayments	-	(2,272,096)
Previously unrecognised tax losses and deferred tax asset used to reduce deferred tax expense	-	(138,962)
Tax losses not recognised	1,279,501	-
Income tax expense	-	-

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	4,265,003	2,579,874
Potential tax benefit @ 30%	1,279,501	773,962

All unused tax losses were incurred by Australian entities that are not part of the tax consolidated group

(d) Unrecognised temporary differences

Temporary differences for which no deferred tax asset has been recognised	-	170,582
Unrecognised deferred tax liabilities relating to the above temporary differences	-	51,175

Deferred tax balances relating to tax losses and temporary differences have not been brought to account as it is not probable that they will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make estimates related to expectations of future taxable income.

(e) Deferred tax balances

	2013	2012
	$	$
Provisions	117,838	-
Business related costs	723,277	-
Tax losses	2,743,964	2,272,096
Deferred tax asset	3,585,079	2,272,096
Prepayments	-	(506)
Investment under equity accounting	(3,585,079)	(2,271,590)
Deferred tax liability	(3,585,079)	(2,272,096)
Net deferred tax balance	-	-

8 Assets and liabilities classified as held for sale and discontinued operation

(a) Description

As a result of the strategic partnership with MIE Holdings Corporation (MIE), the operating results of SGE for the period to 6 July 2012 have been treated as a discontinued operation and the assets and liabilities of SGE held for sale at the lower of their carrying amount and fair value less costs to sell. Upon establishment of the joint venture in SGE, Sino Gas and Energy Holdings Limited ("SGEH") contributed the existing assets and liabilities of SGE to the joint venture at cost. Unrealised gains or losses on non-monetary assets contributed to SGE are eliminated against the investment under the equity method.

Financial information relating to the discontinued operation for the period up to the date of the transaction and the assets and liabilities held for resale is set out in this note.

(b) Financial performance and cash flow information

Financial performance and cash flow information of the discontinued operation for the year to 6 July 2012 are set out below:

	Year ended 31 December 2013	Period ended 6 July 2012
	$	$
Other revenue	-	358
Other income	-	223
Financing costs	-	(1,923)
Depreciation and amortisation expense	-	(25,227)
Foreign exchange loss	-	(33,534)
General and administration expenses	-	(362,941)
Loss before tax for the period from discontinued operations	-	(423,044)
Income tax expense	-	-
Loss after tax for the period from discontinued operations	-	(423,044)

	Year ended 31 December 2013	Period ended 6 July 2012
Net cash outflow used in operating activities	-	(1,028,763)
Net cash outflow used in investing activities	-	(1,794,437)
Net cash provided by financing activities	-	2,861,617
Net increase/(decrease) in cash generated by the discontinued operation	-	38,417

(c) Net gain on sale of assets held for sale

	Year ended 31 December 2013	Year ended 31 December 2012
	$	$
Loss after tax after tax for the period from discontinued operations	-	(423,044)
Cash consideration received (i)	-	9,654,604
Carrying amount of net assets sold	-	(31,911,382)
Interest in joint venture received	-	27,442,743
Accounting and legal fees	-	(864,677)
Gain on sale before income tax	-	3,898,244
Income tax expense (ii)	-	-
Gain on sale after income tax	-	3,898,244

(i) Cash balance disposed of as result of the sale amounted to $193,876.

(i) The income tax expense has been set off against tax losses carried forward, refer to note 7.

9 Cash and cash equivalents

	2013	2012
	$	$
Cash at bank	64,002,742	7,749,124
	64,002,742	7,749,124

10 Trade and other receivables

	2013	2012
	$	$
Rental and utility deposits	143,989	71,005
Goods and services tax	45,490	42,085
Other deposits	59,902	61,015
	249,381	174,105

11 Property, plant and equipment

	2013	2012
	$	$
Carrying amount at the end of the financial year	82,068	9,886
	82,068	9,886

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the financial year

Cost of plant and equipment		
Carrying amount at the beginning of the year	11,247	530,154
Additions	76,498	20,555
Classified as held for sale (Note 8)	-	(539,394)
Impact of foreign exchange	13,632	(68)
Carrying amount at the end of the financial year	101,377	11,247
Accumulated depreciation plant and equipment		
Carrying amount at the beginning of the year	1,361	413,999
Depreciation expense	16,391	26,588
Classified as held for sale (Note 8)	1,557	(439,226)
Carrying amount at the end of the financial year	19,309	1,361

12 Exploration and Development Expenditure

	2013	2012
	$	$
Exploration		
At cost	-	-
	-	-

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the financial year

Exploration		
Carrying amount at the beginning of the year	-	39,589,959
Additions	-	2,036,327
Impact of foreign exchange	-	82,696
Classified as held for sale (Note 8)	-	(41,708,982)
Carrying amount at the end of the financial year	-	-

13 Loan receivable

	2013	2012
	$	$
Carrying amount at the beginning of the year	2,112,281	-
Intercompany loan recognised on deconsolidation	-	2,112,281
Non-cash loans advanced	34,284	-
Impact of foreign exchange	338,985	-
Loan receivable – Sino Gas & Energy Limited	2,485,550	2,112,281

This loan is interest free, unsecured and repayable on demand. It has been classified as non-current based on management's proposed settlement plans.

14 Trade and other payables

	2013	2012
	$	$
Trade payables	95,579	88,756
Creditors and accruals	5,145	122,733
Accrued fundraising costs - current	-	963,020
Current trade & other payables	100,724	1,174,509
Accrued fundraising costs – non-current	-	963,020

15 Provisions

	2013	2012
	$	$
Other Provisions	251,313	102,856
Beijing Representative Office tax	145,281	-
Employee entitlements	13,656	67,726
	410,250	170,582

	2013	2012
	$	$
Reconciliation of provisions at the beginning and end of the financial period		
Carrying amount at the beginning of the financial year	170,582	118,726
Discontinued operation	-	(104,287)
Provision addition	239,668	156,143
Carrying amount at the end of the financial year	410,250	170,582

16 Contributed equity

	2013 $	2012 $
Issued and Paid Up Capital		
Fully paid ordinary shares	124,729,378	62,748,848
	124,729,378	62,748,848

Movement in ordinary share capital

	Number of shares	$
Balance at 1 January 2013	1,128,933,816	62,748,848
Issue of shares through allotments (i)	272,010,379	48,012,280
Issue of shares through conversion of performance rights (ii)	16,344,614	-
Issue of shares through conversion of options (iii)	36,015,345	2,082,784
Proceeds received for shares issued subsequent to year end (iv)	-	15,087,720
Share issue costs	-	(3,202,254)
Closing balance at 31 December 2013	1,453,304,154	124,729,378

	Number of shares	$
Balance at 1 January 2012	1,120,417,120	60,321,166
Issue of shares through conversion of performance rights (v)	5,250,000	-
Issue of shares through conversion of options (vi)	3,266,696	408,337
Proceeds received for shares issued subsequent to year end (vii)	-	2,019,345
Closing balance at 31 December 2012	1,128,933,816	62,748,848

(i) On 4 January 2013, the Company issued 82,448,979 fully paid ordinary shares to two leading institutional investors at $0.1225 per share to raise A$10.1 million. On 3 December 2013, the Company issued 189,561,400 fully paid ordinary shares to institutional and sophisticated investors at $0.20 per share to raise A$37.9 million.

(ii) On 30 May 2013 and 1 July 2013, the Company issued a total of 12,152,948 fully paid ordinary shares to Mr Gavin Harper following the exercise of Performance Rights under the Company's Performance Rights Plan. On 6 November 2013 and 12 November 2013, the Company issued a total of 4,191,666 fully paid ordinary shares to Mr Robert Bearden following the exercise of Performance Rights under the Company's Performance Rights Plan

(iii) On 8 January 2013, the Company issued 27,265,345 fully paid ordinary shares upon the exercise of options which had an exercise price of $0.125. On 31 May 2013, 24 September 2013 and 25 September 2013, the Company issued a total of 8,750,000 fully paid ordinary shares upon the exercise of options which had an exercise price of $0.0793.

(iv) Cleared proceeds from shares allotted prior to 31 December 2013 for which ordinary shares were not yet issued.

(v) On 7 September 2012 the Company issued 5,250,000 fully paid ordinary shares to Non-executive Director John Chandler following the exercise of Performance Rights under the Company's Performance Rights Plan.

(vi) On 14 December 2012 and 28 December 2012, the Company received a total of $408,337 representing funds pursuant to the exercise of 3,266,696 listed options (ASX: SEHOC) at $0.125 per share.

(vii) Cleared proceeds from options exercised prior to 31 December 2012 for which ordinary shares were not yet issued.

17 Reserves

(a) Other reserves

	2013 $	2012 $
Foreign Currency Translation Reserve (i)	(622,567)	(7,071,422)
Equity Settled Benefits Reserve (ii)	7,189,492	5,864,302
	6,566,925	(1,207,120)

(b) Movements in Foreign Currency Translation Reserve

Foreign currency translation		
Balance at the beginning of the financial year	(7,071,422)	(6,354,343)
Translation to presentation currency	6,448,855	(717,079)
Balance at the end of the financial year	(622,567)	(7,071,422)

(i) Movements in Equity Settled Benefits Reserve

Movements in options during the year		
Balance at the beginning of the financial year	4,378,750	3,431,188
Share option expense	132,582	947,562
Balance at the end of the financial year	4,511,332	4,378,750
Movements in performance rights during the year		
Balance at the beginning of the financial year	1,485,552	573,078
Performance rights expense	1,192,608	912,474
Balance at the end of the financial year	2,678,160	1,485,552
Total	7,189,492	5,864,302

(c) Nature and purpose of other reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences relating to the translation from United States Dollars, being the functional currency of the Company's foreign operations in China and its corporate office, into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 1 to the financial statements.

Equity settled benefits reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and to suppliers as payments for services. The equity settled benefits reserve arises on the grant of share options to directors and senior executives under the Employee Share Option Plan, performance rights to directors and senior executives under the Performance Rights Plan and share based payments. Refer to Note 27 to the financial statements for further information.

18 Accumulated losses

	2013	2012
	$	$
Movements in accumulated losses were as follows:		
Balance at the beginning of the financial year	(21,973,367)	(22,436,573)
Net profit/(loss) for the year from continuing operations	1,401,593	463,206
Balance at the end of the financial year	(20,571,774)	(21,973,367)

19 Key management personnel disclosures

(a) Key management personnel compensation

	2013	2012
	$	$
Short-term employee benefits	1,585,110	1,690,122
Post-employment benefits	19,308	61,081
Share-based payments	1,147,509	888,647
	2,751,927	2,639,850

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 25.

(b) Equity instrument disclosures relating to key management personnel

(i) Shareholdings / Option Holding / Performance Rights Holding

Fully paid ordinary shares issued by Sino Gas & Energy Holdings Limited

Year ended 31 December 2013	Balance at 1 January 2013 No.	Granted as remuneration No.	Ceasing to be key management person No.	Net other change No.	Balance at 31 December 2013 No.
Directors					
G Harper	1,515,000	12,152,948	-	436,652	14,104,600
R Bearden	200,000	4,191,666	-	-	4,391,666
C Heseltine	-	-	-	300,000	300,000
B Ridgeway	11,155,000	-	-	200,000	11,355,000
P Mills	-	-	-	-	-
Executives					
J Hodgson	-*	-	-	-	-
H Spindler	-	-	-	36,152	36,152
	12,870,000	16,344,614	-	972,804	30,187,418

*As at date of appointment on 2 October 2013.

Year ended 31 December 2012	Balance at 1 January 2012 No.	Granted as remuneration No.	Ceasing to be key management person No.	Net other change No.	Balance at 31 December 2012 No.
Directors					
G Harper	1,415,000	-	-	100,000	1,515,000
R Bearden	-	-	-	200,000	200,000
J Chandler	350,000	-	(350,000)	-	-
C Heseltine	-	-	-	-	-
B Ridgeway	11,155,000	-	-	-	11,155,000
P Mills	-	-	-	-	-
S Lyons	5,249,265	-	(5,249,265)	-	-
Executives					
N Bong	-	-	-	-	-
F Fu	-	-	-	-	-
H Spindler	-	-	-	-	-
	18,169,265	-	(5,599,265)	300,000	12,870,000

Option Holdings of Key Management Personnel

Year ended 31 December 2013	Balance at 1 January 2013	Granted as remuneration	Ceasing to be key management person	Net other change	Balance at 31 December 2013
	No.	No.	No.	No.	No.
Directors					
G Harper	-	-	-	-	-
R Bearden	-	-	-	-	-
C Heseltine	-	-	-	-	-
B Ridgeway	20,000	-	-	(20,000)	-
P Mills	-	-	-	-	-
Executives					
J Hodgson	-*	-	-	-	-
H Spindler	-	-	-	-	-
	20,000	-	-	(20,000)	-

*As at date of appointment on 2 October 2013.

Year ended 31 December 2012	Balance at 1 January 2012	Granted as remuneration	Ceasing to be key management person	Net other change	Balance at 31 December 2012
	No.	No.	No.	No.	No.
Directors					
G Harper	100,000	-	-	(100,000)	-
R Bearden	-	-	-	-	-
J.Chandler	48,000	-	(48,000)	-	-
C Heseltine	-	-	-	-	-
B Ridgeway	20,000	-	-	-	20,000
P Mills	-	-	-	-	-
S Lyons	1,677,692	-	(1,677,692)	-	-
Executives					
N Bong	-	-	-	-	-
F Fu	-	-	-	-	-
H Spindler	-	-	-	-	-
	1,845,692	-	(1,725,692)	(100,000)	20,000

Performance Rights holdings of Key Management Personnel

Year ended 31 December 2013	Balance at 1 January 2013	Granted as remuneration	Ceasing to be key management person	Net other change	Balance at 31 December 2013
	No.	No.	No.	No.	No.
Directors					
G Harper	14,300,000		-	(14,300,000)	-
R Bearden	11,000,000	15,524,999	-	(5,566,666)	20,958,333
C Heseltine	3,000,000	-	-	-	3,000,000
B Ridgeway	-	-	-	-	-
P Mills	3,000,000	-	(3,000,000)	-	-
Executives					
J Hodgson	-*	1,000,000	-	-	1,000,000
H Spindler	-	-	-	-	-
	31,300,000	16,524,999	(3,000,000)	(19,866,666)	24,958,333

*As at date of appointment on 2 October 2013.

Year ended 31 December 2012	Balance at 1 January 2012	Granted as remuneration	Ceasing to be key management person	Net other change	Balance at 31 December 2012
	No.	No.	No.	No.	No.
Directors					
G Harper	11,000,000	3,300,000	-	-	14,300,000
R Bearden	-	11,000,000	-	-	11,000,000
J Chandler	5,250,000	-	(5,250,000)	-	-
C Heseltine	-	2,000,000	-	1,000,000	3,000,000
B Ridgeway	-	-	-	-	-
P Mills	-	3,000,000	-	-	3,000,000
S Lyons	7,000,000	-	(7,000,000)	-	-
Executives					
N Bong	-	1,750,000	(1,750,000)	-	-
F Fu	3,500,000	1,000,000	(4,500,000)	-	-
H Spindler	-	-	-	-	-
	26,750,000	22,050,000	(18,500,000)	1,000,000	31,300,000

(ii) Remuneration options: granted and vested during the year

No options were granted as equity compensation benefits under the employee share option plan (ESOP) during the year. Further details of the options are set out below and in Note 27 to the financial statements.

(iii) Performance Rights and options provided as remuneration and shares issues on exercise of such performance rights and options

Details of Performance Rights and options provided as Remuneration and Shares issue son exercise of such performance rights and options together with terms and conditions of the options and performance rights could be found in the Remuneration Report of pages 18 to 25.

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2013	2012
(a) PwC Australia	$	$
Audit and review of financial statements	83,724	84,615
International tax consulting and tax advice on mergers and acquisitions	18,374	96,938
Other Non-Audit Services: Other consulting services	10,367	-
Total remuneration of PwC Australia	112,465	181,553
(b) PwC Beijing		
Audit and review of financial statements	-	5,622
Other Non-Audit Services: Other consulting services	22,519	33,993
Total remuneration of network firms of PwC Australia	22,519	39,615
(c) Previous Auditors		
Audit and review of financial statements - Deloitte Touche Tohmatsu	-	3,936
Total remuneration of previous auditors	-	3,936
Total auditors' remuneration	134,984	225,104

It is the Group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally related to international tax consulting and tax advice on mergers and acquisitions tax advice and assistance for expatriate staff in Beijing with visa and tax filing.

21 Commitments

(a) Lease commitments: group as lessee

(i) Non-cancellable operating leases

Operating leases relate to premises used by the group in its operations, generally with terms between 1 and 2 years. Some of the operating leases contain options to extend for further periods and an adjustment to bring the lease payments into line with market rates prevailing at that time. The leases do not contain an option to purchase the leased property.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2013	2012
	$	$
Within one year	375,004	222,144
Later than one year but not later than five years	123,096	171,378
	498,100	393,522

22 Related party transactions

(a) Equity interests in related parties

As at 31 December 2013, Sino Gas & Energy Holdings Limited (SGEH) has a 61.92% (2012: 75.36%) economic interest and 49% of the voting rights in its joint venture Sino Gas & Energy Limited and a 100% interest in Sino Gas & Energy Nominees Pty Ltd. Both companies are incorporated in Australia.

(b) Key management personnel

Disclosures relating to Key Management Personnel are set out in note 19.

(c) Transactions with joint ventures

	2013 $	2012 $
Loans to Sino Gas & Energy Limited		
Beginning of the year	2,112,281	-
Intercompany loan recognised on deconsolidation	-	2,134,520
Non-cash loans advanced	34,284	
Impact of foreign exchange	338,985	(22,239)
	2,485,550	2,112,281
Loans from Sino Gas & Energy Limited		
Beginning of the year	99,614	-
Non-cash loans advanced	-	99,614
Non-cash loans repaid	(99,614)	-
End of year	-	99,614

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

(d) Other transactions with key management personnel

Expenses of $231,000 (2012: $95,818) were incurred from Indian Ocean Advisory Group Pty Ltd, an entity of which Mr Harry Spindler is an employee, for the provision of consulting and administrative services, including rent, and also a secretarial fees of $66,000. As at 31 December 2012 $11,370 (2012: $18,995) of the above total was outstanding. These services were provided on normal commercial terms and conditions and at market rates.

23 Interests in joint ventures

(a) Joint ventures

Sino Gas & Energy Holdings Limited (Sino Gas" ASX: SEH) holds a joint venture interest in Sino Gas & Energy Limited (SGE) through a strategic partnership completed with MIE Holdings Corporation (MIE" SEHK: 1555) in July 2012. SGE was established in Beijing in 2006 and is the operator of the Linxing and Sanjiaobei Production Sharing Contracts (PSCs) in the Ordos Basin, Shanxi province.

On 6 July 2012, the Company entered into agreements with MIE Holdings Corporation (MIE) which established a joint venture between Sino Gas and MIE in SGE. A Shareholder Agreement requires unanimous approval from SGEH & MIE appointed directors of SGE's key activities i.e. annual work program, annual budgets, Overall Development Plan (ODP) and gas sales agreements.

MIE acquired 39 million ordinary shares (14.29% interest of existing shares) in SGE from Sino Gas for a consideration of US$10 million. In addition, MIE is progressively investing a further US$90 million into SGE as described below to secure an interest of 51% in the issued share capital of SGE.

The US$90 million investment to be made by Asia Power and Energy Corporation (Asia Power, a wholly owned MIE subsidiary) is comprised of converting redeemable preference shares (CRPS) in SGE (to be held in escrow pending completion of Asia Power's funding obligations and then released proportionally from escrow and converted into ordinary shares in SGE on a 6 monthly basis, or alternatively, redeemed by SGE if Asia Power defaults on its funding obligations) and in part in the form of a loan note repayable by SGE from recovered Qualifying Expenditure on the PSC blocks once commercial production commences (such loan mechanism to ensure that Sino Gas and Asia Power recover agreed portions – US$63 million and US$90 million respectively, as may be adjusted under the terms of the Purchase and Subscription Agreement – via the cost recovery model under the PSCs).

The converting redeemable preference shares issued to Asia Power, when combined with the purchase of existing ordinary shares from the Company, results in Asia Power holding 51% of the issued share capital of SGE from closing (with Sino Gas holding the remaining 49%).

By December 2013, $51.6 million (US$46.1 million) dollars had been cash called relating to qualifying expenditure, representing $13.6 million (US$12.1 million) in loan notes and $38 million (US$34.0 million) towards cumulative redeemable preference shared (CRPS) to be converted into ordinary shares. Sino Gas' economic interest in SGE as at 31 December 2013 was 61.92% (2012: 75.36%).

The interest in SGE is accounted for in the financial statements using the equity method of accounting at the cost of the investment.

Information relating to the joint venture for the year ending 31 December 2013 is set out below.

	2013	2012
	$	$
Share of joint venture assets and liabilities		
Current assets (i)	8,221,905	5,328,216
Non-current assets	92,881,451	41,283,443
Total assets	101,103,356	46,611,659
Current liabilities (ii)	48,291,299	9,721,191
Non-current liabilities (iii)	8,396,294	5,059,392
Total liabilities	56,687,593	14,780,583
Net assets	44,415,763	31,831,076
Share of joint venture revenue, expenses and results		
Revenues (iv)	1,683	738
Expenses (v)	(1,277,704)	(551,263)
Loss from continuing operations (vi)	(1,276,021)	(550,525)
Total comprehensive income	4,550,644	(550,525)
Share of joint venture's capital commitments	3,423,360	3,454,371

(i) Includes share of cash and cash equivalents of $6,249,820 (2012: $3,542,314)

(ii) Includes share of current financial liabilities of $2,919,507 (2012: $1,913,585)

(iii) No non-current financial liabilities were recorded as at 31 December 2013 (2012: nil)

(iv) Includes share of interest income of $1,683 (2012: $624)

(v) Includes share of depreciation and amortisation of $40,536 (2012: $43,122) and no interest expense (2012: nil)

(vi) No income tax expense was recorded in the year ending 31 December 2013 (2012: nil)

No dividends were paid by joint venture for the year ending 31 December 2013 (2012: Nil).

SGE had no recorded contingent liabilities as at 31 December 2013 (2012: Nil).

The Company is not aware of any significant restrictions on the ability of the joint venture to transfer funds to the Company in the form of cash dividends, or to repay loans or advances made by the entity.

(b) Net gain on dilution of equity interest in joint venture

	2013	2012
	$	$
Share of equity contributed into joint venture	16,386,223	9,741,362
Dilution of interest in net assets	(8,312,691)	(4,089,447)
Net gain on dilution of equity interest in joint venture	8,073,532	5,651,915

(c) Movements in interest in joint venture accounted for using equity method

	2013	2012
	$	$
Balance at the beginning of the financial period	31,831,076	-
Balance of joint venture recognised on deconsolidation	-	27,329,473
Net gain on dilution of equity interest in joint venture	8,073,532	5,651,915
Share of net loss of associates accounted for using the equity method	(1,276,021)	(550,525)
Impact of foreign exchange	5,787,175	(599,787)
Balance at the end of the financial period	44,415,762	31,831,076

24 Events occurring after the reporting period

Subsequent to year end there has been a number of key events, including:

- On 2 January 2014, Sino Gas completed the placement of 75,438,600 new fully paid ordinary shares to institutional and sophisticated investors at $0.20 per share to raise approximately A$15 million, before costs. Euroz Securities Limited and Argonaut Securities ("Argonaut") acted as joint lead managers to the Placement and Argonaut acted as bookrunner.
- On 10 February 2014, Sino Gas issued 1,714,286 new fully paid ordinary shares to employees following the exercise or Performance Rights.
- On 8 March 2014, 4,285,714 Performance Rights lapsed in accordance with their terms and conditions.
- RISC on the Linxing and Sanjiaobei Production Sharing Contracts as at 31 December 2013. Refer to page 10 for a statement of the Reserves and Resources.
- On 24 March 2014, the Company announced that Mr Bearden had informed the board of his intention to retire from the position of Managing Director & CEO for personal reasons.

25 Reconciliation of profit after income tax to net cash inflow from operating activities

	31 December 2013	31 December 2012
	$	$
Profit for the year	1,401,593	463,206
Depreciation and amortisation of non-current assets	16,391	26,588
Share-based payments expense	1,192,608	912,474
Fundraising costs expensed	132,582	4,809,404
Unrealised foreign exchange gain	(27,416)	(68,932)
Net gain on sale of assets held for sale	-	(4,321,288)
Net gain on dilution of equity interest in joint venture	(8,073,532)	(5,651,915)
Share of loss from joint venture	1,276,021	550,525
(Increase) decrease in trade and other receivables	(16,482)	(84,003)
(Increase) decrease in other assets	(23,658)	(71,618)
(Increase) decrease in current payables	(30,329)	(582,117)
(Increase) decrease in provisions	196,253	156,143
Net cash outflow from operating activities	(3,955,969)	(3,861,533)

26 Earnings per share

	2013	2012
	Cents	Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	0.11	(0.31)
From discontinued operation	-	0.35
Total basic earnings per share attributable to the ordinary equity holders of the company	0.11	0.04
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	0.11	(0.31)
From discontinued operation	-	0.26
Total diluted earnings per share attributable to the ordinary equity holders of the company	0.11	0.03

(c) Reconciliations of earnings used in calculating earnings per share

	2013 $	2012 $
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	1,401,593	(3,435,038)
From discontinued operation	-	3,898,244
	1,401,593	463,206
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company:		
Used in calculating basic earnings per share	1,401,593	(3,435,038)
Add: interest savings on convertible notes	-	-
Used in calculating diluted earnings per share	1,401,593	(3,435,038)
Profit from discontinued operation	-	3,898,244
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	1,401,593	463,206

(d) Weighted average number of shares used as the denominator

	2013 Number	2012 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,262,552,167	1,122,194,150
Adjustments for calculation of diluted earnings per share:		
Amounts uncalled on partly paid shares and calls in arrears	-	-
Options and performance rights	54,600,915	369,294,399
Convertible notes	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,317,153,082	1,491,488,549

27 Share-based payments

(a) Share-based payment expenses

The expense recognised for share based payments during the financial year ended 31 December 2013, is as follows:

	2013 $	2012 $
Performance rights expense (b)	1,192,608	912,474
Options expense (c)	132,582	947,562
Total share based payments	1,325,190	1,860,036

(b) Employee performance rights plan

The Company has an employee Performance Rights plan (PRP) for the granting of Performance Rights to Directors, Officers and Employees of the Company.

Under the PRP, the Directors are responsible for determining those eligible to receive performance rights, the conditions attaching to the performance rights and, generally, other matters associated with the performance rights that the Directors consider appropriate to take into account.

The main terms that apply in the PRP include:

- Performance Rights shall not be issued (when added to other securities or rights issued under an employee equity scheme) which would exceed more than 5% of the total number of shares in the Company at the time of issue;
- The Performance Rights are not transferable without the approval of the Board, except to a legal personal representative of the Performance Rights holder;
- The Performance Rights may be exercisable if the performance criteria relating to the Performance Rights has been met with the performance period and any vesting conditions set out in the offer have been met;
- The board will set performance criteria to be met before the Performance Right may be exercised;
- Performance Rights expire when a person leaves the employment of the Company and for reasons other than the following;

  (a) the death, Total and Permanent Disability, Retirement or redundancy of the Participant as determined by the Board in its absolute discretion;

  (b) the Participant ceasing to be employed by a company within the Group as a result of a company ceasing to be a member of the Group, or a company in the Group selling a business it conducts to someone other than to another company in the Group;

  (c) the Participant ceasing to hold office in a company within the Group as a result of retirement by rotation and not being re-elected as a Director or in the event of removal by the shareholders of the Participant as a Director of the Company;

  (d) any other reason as determined by the Board in its absolute discretion (Qualifying reasons).

  If the cessation of the Participant's employment or office is due to a Qualifying Reason and provided that the cessation date is in excess of 6 months after the date of grant, that number of Performance Rights which is proportional to the number of days the Participant was employed or in office as compared to the applicable performance period for the Performance Right will become immediately exercisable (provided that such number of Performance Rights are exercised within 3 months of the date of cessation), save that in circumstances where the cessation is due to a Qualifying Reason and such cessation occurs after all Performance Criteria have been satisfied, other than any criteria that is solely attributable to the Participant's tenure with the Company in employment or office (e.g. vesting conditions which require the passage of time after all other Performance Criteria have already been satisfied), all Performance Rights held by such Participant will become immediately exercisable.

  - Performance Rights expire should the holder act fraudulently, dishonestly or acts in breach of the holders obligations to the company; and
  - The exercise period for each Performance Right shall be determined by the Board in its absolute discretion. Notwithstanding this, the Board, in their discretion, may declare all Performance Rights to be free of any restrictions on exercise if the Board are of the opinion that a specified Event has occurred. An Event occurs when:

  (a) a takeover bid is made to the holders of Shares;

  (b) a statement is lodged with the ASX to the effect that a person has become entitled to not less than 50% of the Shares;

  (c) pursuant to an application made to the court, the court orders a meeting to be held in relation to a proposed compromise or arrangement for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies;

  (d) the Company passes a resolution for voluntary winding up; or

  (e) an order is made for the compulsory winding up of the Company.

- Performance Rights may not be offered to a director or his or her associates without prior shareholder approval.
- A Performance Right does not entitle a participant to participate in new issues of securities to holders of Shares, unless the Performance Right has been exercised and a Share has been issued or transferred to the Participant in respect of that Performance Right, before the record date for determining entitlements to securities under the new issue.
- If the Company makes a bonus issue, the number of Shares over which a Performance Right is exercisable will be increased by the number of Shares which the holder of the Performance Right would have received if the Performance Right had been exercised before the record date for the bonus issue. The exercise price will not change.
- If the Company makes a rights issue, the number of Shares over which a Performance Right is exercisable will not be increased by the number of Shares which the holder of the Performance Right would have received if the Performance Right had been exercised before the record date for the rights issue. The exercise price will also not change.
- Shares provided to a Participant on the exercise of Performance Rights will be held on trust for that Participant by the Trustee for the duration of the restriction period (as determined by the Board) in accordance with the terms of the PRP and the trust deed to be established for the purposes of the PRP.

Summary of Performance Rights granted

The following table illustrates the number and weighted average grant fair value at grant date of Performance Rights granted as share based payments and outstanding at 31 December 2013.

Class	Exercise price	Grant date	Expiry date	Key terms (refer to note 27)	No. of shares under performance rights	Weighted average grant fair value at grant date
Performance Rights	Nil	14-Dec-10	08-Mar-14	(bb)	6,000,000	$0.070
Performance Rights	Nil	30-Aug-11	30-Aug-16	(bb)	2,500,000	$0.056
Performance Rights	Nil	17-Nov-11	17-Nov-16	(bb)	750,000	$0.041
Performance Rights	Nil	17-Nov-11	17-Nov-16	(bb) (ii) & (iii)	1,000,000	$0.041
Performance Rights	Nil	30-May-12	29-Sep-15	(bb) (ii) & (iii)	2,000,000	$0.053
Performance Rights	Nil	29-Jun-12	29-Sep-15	(bb) (ii) & (iii)	1,750,000	$0.071
Performance Rights	Nil	30-Jul-12	31-Mar-14	(dd) (i) & (iv)	2,750,000	$0.0386
Performance Rights	Nil	30-Jul-12	01-Sep-15	(ee)	5,500,000	$0.075
Performance Rights	Nil	23 May 2013	31 Mar 2014, 30 Sept 2014, 31 Mar 2015 & 1 Sept 2015	(gg), (hh), (jj) & (kk)	12,708,333	$0.1086
Performance Rights	Nil	24 Dec 2013	28 Feb 2015, 30 Jun 2015 & 31 Mar 2015	(ll), (mm) & (nn)	1,000,000	$0.1043
					35,958,333	$0.08

The movements in Performance Rights during the financial year ended 31 December 2013 are as follows:

	31-Dec-13 No	31-Dec-13 Weighted average exercise price	31-Dec-13 Weighted average grant fair value	31-Dec-12 No	31-Dec-12 Weighted average exercise price	31-Dec-12 Weighted average grant fair value
Outstanding at the beginning of the year	44,550,000	-	$0.06	35,000,000	-	$0.06
Granted during the year	16,524,999	-	$0.10	22,800,000	-	$0.05
Forfeited during the year	(8,772,052)	-	$0.05	(8,000,000)	-	$0.06
Exercised during the year	(16,344,614)	-	$0.05	(5,250,000)	-	$0.07
Outstanding at the end of the year	35,958,333	-	$0.08	44,550,000	-	$0.06

Please refer to Note 22(b)(i) above for further details on the terms and conditions of the Performance Rights issued.

The fair value of these Performance Rights issued during the year at grant date is set out in the table above with the following table settling out the key inputs into the Performance Right valuation model:

Number issued	Valuation date	Share price	Exercise price	Expiry date	Dividend yield	Market base probability of vesting
1,768,750	23/05/13	$0.126	Nil	31/03/14	Nil	1%
1,768,750	23/05/13	$0.126	Nil	31/03/14	Nil	13%
1,768,750	23/05/13	$0.126	Nil	31/03/14	Nil	N/A
1,047,916	23/05/13	$0.126	Nil	30/09/14	Nil	N/A
1,047,916	23/05/13	$0.126	Nil	30/09/14	Nil	N/A
1,047,917	23/05/13	$0.126	Nil	31/03/15	Nil	N/A
1,768,750	23/05/13	$0.126	Nil	01/09/15	Nil	N/A
1,768,750	23/05/13	$0.126	Nil	01/09/15	Nil	N/A
1,768,750	23/05/13	$0.126	Nil	01/09/15	Nil	N/A
1,768,750	23/05/13	$0.126	Nil	01/09/15	Nil	N/A
250,000	24/12/13	$0.195	Nil	28/02/15	Nil	N/A
250,000	24/12/13	$0.195	Nil	30/06/15	Nil	N/A
500,000	24/12/13	$0.195	Nil	31/03/15	Nil	7%

Key Terms of Performance Rights granted

The terms of the performance rights as at 31 December 2013 are listed below:

aa) The Performance Rights are to be satisfied by the issue or procurement of fully paid ordinary shares in the Company when the applicable performance hurdle is met. The Performance Rights are exercisable into fully paid ordinary shares of the Company with 1/3 being exercisable on satisfying the performance hurdle and 1/3 lots annually thereafter. The performance hurdle is the approval by the relevant Chinese authorities of an Overall Development Plan (ODP) to enable the Company to proceed to development on the PSC with such ODP to include a minimum 100 billion cubic feet of gas and to provide a minimum 12% internal rate of return (such minimum thresholds being calculated by the Board of Directors of the Company based on reports from suitably qualified experts). This performance hurdle must be met within 3 years from the date of grant of the performance right.

(bb) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met, as detailed below:

(i) Performance Hurdle 1: Start of sale of gas under a Pilot Development Program approved by the relevant Chinese authorities. Approximately 2/7 of the Performance Rights will be exercisable when the start of sale of gas occurs on a Pilot Development Program approved by the relevant Chinese authorities in connection with the Company's interests in the PSC.

(ii) Performance Hurdle 2: Approval of a Reserves Report by the relevant Chinese authorities. Approximately 2/7 of the Performance Rights will be exercisable when a Reserves Report is approved by the relevant Chinese authorities in connection with the Company's interests in the PSC. If the Company decides not to proceed to a Pilot Development Program then those Performance Rights exercisable under Performance Hurdle 1 will be exercisable upon satisfaction of Performance Hurdle 2.

(iii) Performance Hurdle 3: Approval of Overall Development Plan by the relevant Chinese authorities. Approximately 3/7 of the Performance Rights will be exercisable on approval by the relevant Chinese authorities of an ODP to enable the Company to proceed to development on the PSC, with such ODP to include a minimum 100 billion cubic feet of gas and a minimum 12% internal rate of return (such minimum thresholds being calculated by the Board of Directors of the Company based on reports from suitably qualified experts). If the Company does not proceed to either or both of a Pilot Development Program and approval of a Reserves Report, Performance Rights exercisable under Performance Hurdle 1 and Performance Hurdle 2 will be exercisable upon satisfaction of Performance Hurdle 3.

Note: Performance rights issued with key terms of (bb)(ii) and (bb)(iii) are exercisable at 50% on respective hurdle.

(dd) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met, as detailed below:

(i) 1,375,000 Performance Rights will become exercisable if the Company's share price on ASX reaches at least $0.40 for 5 continuous trading days;

(ii) 1,375,000 Performance Rights will become exercisable if the Company's share price on ASX reaches at least $0.25 for 5 continuous trading days;

(iii) 1,375,000 Performance Rights will become exercisable if the Chinese Reserve Reports for each of Sanjiaobei, Linxing East and Linxing West are submitted; and

(iv) 1,375,000 Performance Rights will become exercisable if a Pilot Production approved by one of the PSC partners in connection with either Sanjiaobei or Linxing and supported by a Gas Sales Agreement is producing 100,000 cubic meters per day on at least 5 days.

(ee) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met, as detailed below:

(i) 1,375,000 Performance Rights will become exercisable if the Company has been successfully relisted or dual listed on a stock exchange selected by the Board of the Company no later than 1 February 2015;

(ii) 1,375,000 Performance Rights will become exercisable if a debt financing facility (or such other alternative financing as may have been agreed by the Board of the Company) is in place for the Company to provide adequate funding for the Company's obligations for full field development of either or both of Sanjiaobei or Linxing;

(iii) 1,375,000 Performance Rights will become exercisable if, post approval of the Overall Development Plan, production has been established for both the Sanjiaobei PSC and Linxing PSC;

(iv) 1,375,000 Performance Rights will become exercisable if initial exploration work programs, sufficient to provide a preliminary assessment of resource potential and to avoid the relinquishment of any prospective areas, have been completed for all of Sanjiaobei PSC and for all of Linxing PSC.

As regards the Performance Criteria set out above, the Board may in its discretion at any time prior to 31 December 2013 determine that any one or more of the Performance Criteria are not appropriate based on the Company's then prevailing performance, activities or status during the prior year, and may vary or substitute those criteria for such other performance criteria, as may be set by the Board at the end of 2013 by written notice to the individual (after due consultation).

(gg) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met, as detailed below:

(i) 1,768,750 Performance Rights will become exercisable if the Company's Share price on ASX reaches at least \$0.40 for 5 continuous trading days;

(ii) 1,768,750 Performance Rights will become exercisable if the Company's Share price on ASX reaches at least \$0.25 for 5 continuous trading days;

(iii) 1,768,750 Performance Rights will become exercisable if a Pilot Production approved by one of the PSC partners in connection with either Sanjiaobei or Linxing and supported by a Gas Sales Agreement is producing 100,000 cubic meters per day on at least 5 days.

(hh) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met. 1,047,916 Performance rights will become exercisable if the Chinese Reserve Report for Sanjiaobei is submitted.

(ii) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met. 1,047,916 Performance rights will become exercisable if the Chinese Reserve Report for Linxing East is submitted.

(jj) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met. 1,047,916 Performance rights will become exercisable if if the Chinese Reserve Report for Linxing West is submitted.

(kk) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met, as detailed below:

(i) 1,768,750 Performance Rights will become exercisable if the Company has been successfully relisted or dual listed on the stock exchange selected by the Board of the Company no later than 1 February 2015 as being the appropriate stock exchange for the Company for optimum share price valuation;

(ii) 1,768,750 Performance Rights will become exercisable if a debt financing facility (or such other alternative financing as may have been agreed by the Board of the Company) is in place for the Company to provide adequate funding for the Company's obligations for full field development of either or both of Sanjiaobei or Linxing;

(iii) 1,768,750 Performance Rights will become exercisable if, post approval of the Overall Development Plan, production has been established for both the Sanjiaobei PSC and Linxing PSC;

(iv) 1,768,750 Performance Rights will become exercisable if initial exploration work programs, sufficient to provide a preliminary assessment of resource potential and to avoid the relinquishment of any prospective areas, have been completed for all of Sanjiaobei PSC and for all of Linxing PSC.

(ll) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met. 250,000 Performance rights will become exercisable upon acceptance by the Board of a bridge debt financing facility of at least US\$40 million.

(mm) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met. 250,000 Performance rights will become exercisable upon the submission of an agreed corporate restructuring proposal which provides Sino with direct ownership into all of its PSC's, for government approval of the modification to the PSC's. Such proposal is required to be agreed by Sino and MIE Holdings Ltd and have received in principal agreement by the Chinese partners.

(nn) The Performance Right is to be satisfied by the issue or procurement of fully paid ordinary shares in the respective portions when the applicable performance hurdle is met. 500,000 Performance rights will become exercisable if the Company's Share price on ASX reaches at least \$0.50 for 5 continuous trading days.

(c) Share Options

Employee share option plan

The Company has an employee share option plan (ESOP) for the granting of non-transferable options to Directors, Officers and Employees of the Company.

Under the ESOP, the Directors are responsible for determining those eligible to receive options, the conditions attaching to the options and, generally, other matters associated with the options that the Directors consider appropriate to take into account.

The other main terms that apply in the ESOP include that:

- Options shall not be issued which would exceed more than 5% of the total number of shares in the Company at the time of issue;

- The options will have a maximum 5 year life;
- The options are not transferable without the approval of the Board, except to the spouse of the option holder or to a company the majority of shares in which are owned (or taken to be owned) by the option holder;
- Options expire when a person leaves the employ of the Company, unless the Directors decide otherwise; and
- On a change of control event, the Directors will declare that the options to be free of any conditions of exercise.

During the year ended 31 December 2013, there have been no employee share options issued. The Performance Rights Plan has now effectively superseded the ESOP.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Share options granted to suppliers, employees and shareholders

The following table illustrates the number and weighted average exercise prices of share options issued as share based payments to suppliers, employees and shareholders which are outstanding at 31 December 2013.

	Number of options	Exercise price per option	Latest exercise date	Fair value at grant date
$0.075 Options expiring 15 Feb 2017 *	10,000,000	$0.075	15 Feb 2017	$0.049
$0.075 Options expiring 15 Feb 2017 *	10,000,000	$0.075	15 Feb 2017	$0.049
$0.075 Options expiring 15 Feb 2017 *	5,000,000	$0.075	15 Feb 2017	$0.027
$0.075 Options expiring 15 Feb 2017 *	5,000,000	$0.075	15 Feb 2017	$0.031
Total options	30,000,000			

* *These options were issued to Argonaut, as part of an agreement with Argonaut Capital Limited (Argonaut) for provision of corporate and financial advisory services.*

Summary of share options movements

The movements in options during the financial year ended 31 December 2013 are as follows:

	31-Dec-13 No	31-Dec-13 Weighted average exercise price	31-Dec-12 No	31-Dec-12 Weighted average exercise price
Outstanding at the beginning of the year	371,077,061	$0.121	344,343,757	$0.125
Granted during the year	-	-	30,000,000	$0.075
Forfeited during the year	-	-	-	-
Exercised during the year	(36,015,345)	$0.114	(3,266,696)	$0.125
Expired during the year	(305,061,716)	$0.127	-	-
Outstanding at the end of the year	30,000,000	$0.075	371,077,061	$0.125
Exercisable at the end of the year	15,000,000	$0.075	199,058,190	$0.121

The terms of the options noted above, and their listed/unlisted status, are as follows:

Listed / Unlisted	Number on issue	Exercise price	Expiry Date
Unlisted	30,000,000	$0.075	15 February 2017

During the financial year:

(i) 27,265,345 listed options with an exercise price of $0.125 were exercised and 305,061,716 expired unexercised on 8 January 2013

(ii) 8,750,000 unlisted options with an exercise price of $0.0793 were exercised on 31 May 2013 and 24 and 25 September 2013.

(iii) 1,310,000 unlisted options with an exercise price of $0.50 expired unexercised.

28 Parent Entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2013	2012
	$	$
Statement of financial position		
Current assets	64,252,123	7,923,229
Total assets	113,632,021	50,384,007
Current liabilities	510,974	1,345,091
Total liabilities	510,974	2,308,111
Shareholders' equity		
Contributed equity	124,729,378	62,748,848
Reserves	5,374,221	(5,278,856)
Accumulated Losses	(10,445,174)	(9,394,096)
	119,658,425	48,075,896
Loss for the year	(5,402,056)	(7,611,897)

(b) Contingent liabilities

The company is not aware of any contingencies relating specifically to the parent entity.

In the directors' opinion:

(a) the financial statements and notes set out on pages 31 to 72 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

R. G. Bearden

Robert Bearden
Director
Perth

26 March 2013

Independent auditor's report to the members of Sino Gas & Energy Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Sino Gas & Energy Holdings Limited (the company), which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Sino Gas & Energy Holdings Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
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T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Independent auditor's report to the members of Sino Gas & Energy Holdings Limited (cont'd)

Auditor's opinion

In our opinion:

(a) the financial report of Sino Gas & Energy Holdings Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 18 to 25 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Sino Gas & Energy Holdings Limited for the year ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Henry

Nick Henry
Partner

Perth
26 March 2014

Corporate Governance Statement

The Company has adopted a comprehensive framework of rules, relationships, systems and processes regulating the exercise of authority within the Company. The Board has adopted the following corporate governance policies and charters, copies of which are available on the Company's website (www.sinogasenergy.com):

Board Charter

- Audit and Compliance Committee Charter;
- Nomination & Remuneration Committee Charter;
- Procedure for the selection and appointment of new directors;
- Share Trading Policy;
- Information on Procedures for the selection and appointment of the External Auditor and Audit Partner Rotation;
- Procedures for complying with the Disclosure Requirements and ensuring Senior Management accountability;
- Shareholder Communications Policy;
- Description of Risk Management Policy;
- Description of the Performance Evaluation Procedure for the Board and Individual Directors;
- Code of Conduct; and
- Diversity Policy.

To the extent that they are applicable, and practicable, the Company has adopted the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (2nd Edition) (*ASX Corporate Governance Recommendations*).

Commensurate with the spirit of the ASX Corporate Governance Recommendations, the Company has followed each ASX Corporate Governance Recommendation where the Board has considered it to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, the resources available and the activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Corporate Governance Recommendations, the Board has set out at the end of the Corporate Governance Statement its "if not, why not" report.

Corporate governance policies and practice of the Company are reflective of the Company's current status and its major activities being the appraisal of unconventional gas projects in China. As the Company's activities develop in size, nature and scope, the Board will reconsider and review the Company's corporate governance structures.

Role of the Board

The Board operates pursuant to a formal Board Charter, which sets out the responsibilities, structure and conduct of the Board, a copy of which is available on the Company's website.

The Board of the Company is responsible for:

- the overall operation and stewardship of the Company and its subsidiaries;
- charting the direction, strategies and financial objectives for the Company; and
- monitoring the implementation of those policies, strategies and financial objectives,

and is committed to protecting and enhancing shareholder values and conducting the Company's business ethically and in accordance with the highest standards of corporate governance.

The objective of the Board is to provide an acceptable rate of return to the Company's shareholders that takes into account the interests of its employees, customers, suppliers, lenders and the wider community.

Each of the Directors, when representing the Company, must act in the best interest of the shareholders of the Company and in the best interests of the Company as a whole.

Each Director has the right to seek independent professional advice on matters relating to his position as a director of the Company at the Company's expense, subject to the prior approval of the Chairman, which shall not be unreasonably withheld.

The Board recognises the importance of ensuring that the performance of the Board is reviewed regularly against appropriate measures. The Board have adopted a formal Performance Evaluation Procedure. A copy of the Performance Evaluation Procedure is available on the Company's website. A performance evaluation of the Board, individual directors, senior executives and various Board committees, did take place for the financial year ended 31 December 2013.

The skills, experience and expertise relevant to the position of each director in office at the date of this report and their term of office is set out in the Directors' Report.

The Board is assisted by the Audit and Compliance Committee, the Nomination & Remuneration Committee.

Audit and Compliance Committee

The Company has established an Audit and Compliance Committee.

The Committee is responsible for assisting the Board of the Company in ensuring financial integrity and credibility of financial reporting for both SGEH and SGE. The Board formalised this arrangement and adopted a formal Audit and Compliance Committee Charter to govern the responsibilities, structure and conduct of the Audit and Compliance Committee.

The roles of the Audit and Compliance Committee are to:

- assist the Board to discharge their responsibility for externally reported financial information and, ensuring financial integrity and credibility of that reporting;
- ensure that management has in place a process to identify and manage financial reporting risks;
- seek to improve the quality of financial reporting, control systems and corporate governance of the Group;
- oversee external audit functions; and
- monitor and ensure that the Group conforms with financial requirements of the Corporations Act, the ASX Listing Rules (as applicable) and any other relevant legislation or regulatory authority.

The Committee consists of a minimum of three members of whom the majority are non-executive directors. At the date of this report, the Committee members are Mr Bernie Ridgeway (Committee Chairman), Mr Peter Mills and Mr Colin Heseltine.

A copy of the Audit and Compliance Committee Charter is available on the Company's website.

Details of directors' attendance at meetings are detailed in the Directors' Report.

Nomination & Remuneration Committee

The Company has established a Nomination & Remuneration Committee.

The Nomination & Remuneration Committee was established to assist the Board in establishing policies and practices which:

- enable the Company to attract and retain executives and directors who will create sustainable value for members and other stakeholders;
- assist the Board to maintain a Board that has an appropriate mix of skills and experience which can contribute to the successful management of the Company and create sustainable value for shareholders;
- fairly and responsibly reward executives and directors having regard to the performance of the Company, the performance of the executive and the external compensation environment; and
- comply with all relevant legislation and regulations including the ASX Listing Rules (as applicable) and the Corporations Act.

The Committee consists of a minimum of three members of whom a majority are non-executive directors. At the date of this report, the Committee members are Mr Colin Heseltine (Committee Chairman), Mr Bernie Ridgeway and Mr Gavin Harper.

Further information as to the responsibilities, structure and conduct of the Nomination & Remuneration Committee is contained in the Committee's Charter, a copy of which is available on the Company's website.

Details of directors' attendance at meetings are detailed in the Directors' Report.

Planning Committee

The Board had previously established a Planning Committee to assist the Board by:

- formulating, monitoring and reviewing the Company's strategic plan;
- identifying and reviewing any business development opportunities including acquisitions and divestments of the Company's assets;
- determining major operational and technical decisions;
- reviewing the Company's technical and operational competency;

- identifying, monitoring and reviewing key relationships between the Company and industry, government and community groups; and
- analysing the Company's risk and risk management.

Following the completion of the strategic partnership with MIE Holdings Corporation (MIE), the Planning Committee was dissolved in August 2012. As part of this transaction, three SGEH directors were appointed to the board of SGE, along with four directors from MIE to provide oversight over the operations of SGE and make strategic and planning decisions in the interests of the shareholders. From this time, the Board and Managing Director has performed the roles reserved to the Planning Committee.

Risk Management Policy

The Company is focused on ensuring that there are adequate structures and procedures in place to identify, assess monitor and manage risk and is taking steps to address the practical implementation of risk management policies. A summary of the Company's Risk Management Policy is available on the Company's website.

Although the Company has considered the establishment of a separate risk management committee, the Company believes that it is crucial for all Board members to be part of the risk management process, and that the Board, the Audit and Compliance Committee and the Planning Committee (during its formation) provide adequate oversight of the Company's risk management and internal controls.

In accordance with the Company's Risk Management Policy, the Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan. To assist the Board to conduct the annual review, management and key executives are required to report to the Board on any material risks identified, how those risks are being managed, the implementation of any risk management or internal control system, and whether any breaches of the risk management policies have occurred during the preceding 12 months.

In particular the Planning Committee and Audit and Compliance Committee provide assistance to the Board in monitoring compliance with the Risk Management Policy. During its formation, the Planning Committee was responsible for identifying or ensuring that management has in place a process to identify the principal risks of the Company's business, examining the Company's risk profile and monitoring and ensuring an appropriate assessment process has been established and undertaken for monitoring corporate risk and the internal controls (including information systems) instituted. Since the dissolution of the Planning Committee, the Board and Managing Director have assumed responsibility for these roles. The Audit and Compliance Committee is responsible for monitoring and ensuring an appropriate assessment process has been established and undertaken for monitoring financial reporting risk and internal controls instituted and annually reviewing internal and external audit programs/reports to ensure that, where deficiencies in controls or procedures have been identified, appropriate remedial action is taken by management.

In managing the Company’s risks, the company has initiated a review of the Company’s risk tolerance profile and risk register in light of the recent change in the Company’s affairs. This review is anticipated to be completed shortly.

In addition, the Board requires the Managing Director and the Chief Financial Officer to state in writing that:

- the Company's risk management and internal control system to manage the Company’s material risks are being managed effectively; and
- the Company's financial reports are founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received a statement to this effect from the Managing Director and the Chief Financial Officer equivalent for the year ended 31 December 2013.

Code of Conduct

The Company has adopted a formal Code of Conduct to address matters relevant to the Company’s legal and other obligations to its stakeholders.

The Code of Conduct applies equally to all employees, directors and officers of SGEH, each of whom must discharge their duties at the highest level of honesty and integrity, in good faith and having regard to the position and the organisations goals and objectives of the Company. A copy of the Code of Conduct is available on the Company's website.

Share Trading Policy

The Share Trading Policy regulates dealings by Directors, officers and employees in securities issued by the Company.

The Share Trading Policy imposes basic trading restrictions on all employees of the Company who possess inside information and additional trading restrictions on all Directors and any of their associates. A copy of the Share Trading Policy is available on the Company's website.

Procedures for compliance with disclosure requirements

The procedures for complying with disclosure requirements and ensuring senior management accountability have been adopted to ensure that SGEH complies with its disclosure requirements and to ensure that ASX is properly informed of matters which may have a material impact on the price at which SGEH securities are traded.

A copy of the Company's policy is available on the Company's website.

Shareholder Communication Policy

The Board aims to ensure that shareholders are informed of all major developments affecting SGEH's state of affairs. In particular, the Board believes that communicating with shareholders by electronic means, particularly through its website, is an efficient way of distributing information in a timely and convenient manner.

The Company's website includes a section on the Company's corporate governance policies and practices, and a news section, containing copies of ASX announcements made by the Company

A copy of the Shareholder Communication Policy adopted by the company is available on the Company's website.

Diversity Policy

The Company has adopted a diversity policy to guide the Company's employees and board of directors in developing and achieving its diversity objectives. The Company values diversity among our workforce. The Company seeks to employ, retain and develop employees for the long term, assisting in their development and the development of the culture and values of the Company. This is done by promoting the value of different perspectives, ideas and benefits brought by engaging widely with all employees.

The Company recognises that a talented and diverse workforce is a key competitive advantage and that success is a reflection of the quality and skills of its people. Diversity assists the business in achieving its objectives and delivering for its stakeholders by enabling it to attract and retain the most qualified and experienced individuals to the workforce. The Company seeks to develop a culture of diversity within the Company whereby a mix of skills and diverse backgrounds are employed by the Company at all levels. The Company values the benefits brought to the Company by employees from a variety of backgrounds including gender, age, cultural and religious background, education, geographical location, ethnicity, experience and flexibility.

The Company strives to develop and maintain a diverse and skilled workforce through transparent recruitment processes; promotion of an inclusive workplace culture that values and utilises the contribution of all employees backgrounds, experiences and perspective though improved awareness of the benefits of workforce diversity; facilitation of diversity in the workplace by developing programs that promote growth for all employees, so each may reach their full potential, and providing maximum benefit for the Company; reviewing the demographic profile at all levels of the Company (considering any patterns or gaps that are apparent) and setting measureable objectives to encourage diversity within the Company.

The Board will develop objectives that work towards ensuring that the Company benefits from a diverse workplace. In respect to the Company's China operations these objectives will be developed in a manner appropriate to that context.

The Company's workforce gender profile:

	2013		2012	
	Male (%)	Female (%)	Male (%)	Female (%)
Board Representation	100	-	100	-
Key Senior management representation	100	-	100	-
Group representation	50	50	50	50

A copy of the Diversity Policy is available on the Company's website.

Explanations for departures from ASX Corporate Governance Recommendations

The Board sets out below, on an "if not, why not" basis, disclosure of any ASX Corporate Governance Recommendations that have not been adopted by the Company during the financial year ended 31 December 2013, together with the reasons why they have not been adopted.

Principle 2 – Recommendation 2.1

Notification of Departure

During the year ended 31 December 2013, the Board did not have a majority of independent Directors. The ASX Corporate Governance Recommendations provide for a test of independence as set out in Box 2.1 of the ASX Corporate Governance Recommendations (*Independence Test*). In accordance with the Independence Test, and as a result of information obtained from Directors' Independence Questionnaires:

Director	Nature of Interest
Current board members	
Mr Gavin Harper is not considered to be independent	Mr Harper previously acted as the Executive Chairman of the Company. On 1 July 2013, Mr Harper became the Non-Executive Chairman however, there has not been a period of at least 3 years since ceasing his executive employment.
Mr Robert Bearden is not considered to be independent	Mr Bearden is the Managing Director & CEO
Mr Bernie Ridgeway is not considered to be independent	Mr Ridgeway is the Managing Director of Imdex Limited, a substantial shareholder of the Company
Mr Colin Heseltine is considered to be independent	Not applicable
Previous board members during 2013	
Mr Peter Mills was considered to be independent	Not applicable

Materiality thresholds were not applicable in determining the independence of directors.

Explanation for Departure

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has appropriate industry experience and specific expertise relevant to the Company's business and level of operations.

The Board considers that its structure and size is, and will continue to be, appropriate in the context of the Company's strategic plans. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint additional independent Directors as it deems appropriate.

All directors are aware that they are required to bring an independent judgment to bear on Board decisions. Where a potential conflict of interest may arise, involved Directors must, unless the remaining Directors resolve otherwise, withdraw from deliberations concerning the matter. Further each Director has the right to seek independent professional advice at the expense of the Company.

Principle 2 – Recommendation 2.2 and 2.3

Notification of departure

During the year ending 31 December 2013, Mr Gavin Harper acted as Chairman of the Company. During the year the Chairman did not satisfy the Independence Test provided by the ASX Corporate Governance Recommendations as for the reasons set out above, Mr Gavin Harper is not an independent Director.

Explanation for Departure

While the Board recognises the importance of independence in decision making, it believes that Mr Harper was the most appropriate person to hold the position of Chairman during the financial year.

Principle 2 – Recommendation 2.4

Notification of departure

The Company has established a nomination and remuneration committee of which its current members are Mr Colin Heseltine (Committee Chairman), Mr Bernie Ridgeway and Mr Gavin Harper. Until, 17 May 2013, the Nomination and Remuneration Committee was chaired by Mr Peter Mills. Upon Mr Mill's retirement, Mr Gavin Harper was appointed as a member of the Committee. From this time, the majority of committee members did not satisfy the Independence Test provided by the ASX Corporate Governance Recommendations as for the reasons set out above.

Explanation for departure:

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the appropriate industry experience and specific expertise relevant to the Company's business and level of operations.

While the Board recognises the importance of independence in decision making and committee membership, it believes that during the period of non compliance with the abovementioned recommendation, the committee operated efficiently and its members were the most appropriate persons for this position at that time. All directors are aware that they are required to bring an independent judgment to bear on committee recommendations and Board decisions. Where a potential conflict of interest may arise, involved members must, unless the remaining members resolve otherwise, withdraw from deliberations concerning the matter. The Board intends to monitor the composition of the Company's committees as operations evolve.

Principle 4 – Recommendation 4.2

Notification of departure

The Company has established an Audit & Compliance committee of which its current members are Mr Bernie Ridgeway (Committee Chairman), Mr Gavin Harper and Mr Colin Heseltine. During the year, Mr Bernie Ridgeway did not satisfy the Independence Test provided by the ASX Corporate Governance Recommendations as for the reasons set out above, Mr Bernie Ridgeway is not an independent Director. As such, the committee is not chaired by an independent director as recommended by the recommendations. Accordingly, the Committee has not been chaired by an independent director for the entire year ending 31 December 2013 and currently.

Until, 17 May 2013, the Audit & Compliance Committee members were Mr Bernie Ridgeway (Committee Chairman), Mr Peter Mills and Mr Colin Heseltine. Upon Mr Mill's retirement, Mr Gavin Harper was appointed as a member of the Committee. From this time, the majority of committee members did not satisfy the Independence Test provided by the ASX Corporate Governance Recommendations as for the reasons set out above.

Explanation for departure:

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the appropriate industry experience and specific expertise relevant to the Company's business and level of operations.

While the Board recognises the importance of independence in decision making and committee membership, it believes that during the period of non compliance with the abovementioned recommendation, the committee operated efficiently and its Chair and its members were the most appropriate persons for this position at that time. All directors are aware that they are required to bring an independent judgment to bear on committee recommendations and Board decisions. Where a potential conflict of interest may arise, involved members must, unless the remaining members resolve otherwise, withdraw from deliberations concerning the matter. In March 2014, the Company was included in the S& P Dow Jones ASX 300 Index. The Board intends to monitor the composition as the Company's committees as operations evolve and is mindful of the ASX requirements for companies included in the S& P Dow Jones ASX 300 Index it to comply with the recommendations set by the ASX Corporate Governance Council in relation to composition, operation and responsibility of the audit committee as at 1 January 2015 should it continue to be included within this Index.

Principle 8 – Recommendation 8.2

Notification of departure

The Company has established a nomination and remuneration committee of which its current members are Mr Colin Heseltine (Committee Chairman), Mr Bernie Ridgeway and Mr Gavin Harper. Until, 17 May 2013, the Nomination and Remuneration Committee was chaired by Mr Peter Mills. Upon Mr Mill's retirement, Mr Gavin Harper was appointed as a member of the Committee. From this time, the majority of committee members did not satisfy the Independence Test provided by the ASX Corporate Governance Recommendations as for the reasons set out above.

Explanation for departure:

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the appropriate industry experience and specific expertise relevant to the Company's business and level of operations.

While the Board recognises the importance of independence in decision making and committee membership, it believes that during the period of non compliance with the abovementioned recommendation, the committee operated efficiently and its members were the most appropriate persons for this position at that time. All directors are aware that they are required to bring an independent judgment to bear on committee recommendations and Board decisions. Where a potential conflict of interest may arise, involved members must, unless the remaining members resolve otherwise, withdraw from deliberations concerning the matter. The Board intends to monitor the composition as the Company's committees as operations evolve.

Additional Securities Exchange Information

1. Number of holders of equity securities

The shareholder information set out below was applicable as at 13 February 2014.

(a) Ordinary share capital

Distribution of ordinary shares

The Company has a total of 1,530,457,040 fully paid ordinary shares on issue. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. There were 126 holders holding less than a marketable parcel.

The number of securities, by size of holding:

Holding			No. Of Holders	Fully Paid Shares
1	-	1,000	104	4,573
1,001	-	5,000	170	627,281
5,001	-	10,000	192	1,598,673
10,001	-	100,000	1,324	66,002,181
100,001	and over		861	1,462,224,332
Total Number of holders			2,651	1,530,457,040

Twenty largest holders of ordinary shares

Name	Ordinary shares	
	Number held	Percentage of issued shares
J P MORGAN NOMINEES AUSTRALIA LIMITED	179,371,795	11.72%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	150,325,010	9.82%
NATIONAL NOMINEES LIMITED	137,824,989	9.01%
IMDEX INTERNATIONAL PTY LTD	121,908,446	7.97%
CITICORP NOMINEES PTY LIMITED	104,304,953	6.82%
SHL PTY LTD	61,709,630	4.03%
JP MORGAN NOMINEES AUSTRALIA LIMITED	31,941,151	2.09%
MR IAN INGRAM	20,000,000	1.31%
BNP PARIBAS NOMS PTY LTD	18,491,927	1.21%
AZURE SEA LTD	16,399,896	1.07%
MARFORD GROUP PTY LTD	15,328,346	1.00%
CITICORP NOMINEES PTY LIMITED	12,985,182	0.85%
ZERO NOMINEES PTY LTD	12,040,000	0.79%
KEEBLE NOMINEES PTY LTD	11,155,000	0.73%
MR PETER JOHN BOX	9,708,331	0.63%
BNP PARIBAS NOMINEES PTY LTD	9,350,000	0.61%
MR ROSS EDWARD GUSTAFSON	9,100,000	0.59%
SKYE ALBA PTY LTD	8,760,670	0.57%
NEW ENERGY SOLUTIONS PTY LTD	8,436,757	0.55%
SALTY NOMINEES PTY LTD	7,400,000	0.48%
Total Top Twenty Holders	**946,542,083**	**61.85%**
Total Remaining Holders Balance	**583,914,957**	**38.15%**

2. Options

Distribution of options

The Company has a total of 30,000,000 unlisted options. The options are summarised below:

Details	Number on issue	Exercise Price	Expiry date
Unlisted	30,000,000	$0.075	15 Feb 2017

The number of securities, by size of holding:

Unlisted Options

	7.5 cent options	
Size of Holding	No of holders	Options
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 and over	1	30,000,000
Total Number of Holders	1	30,000,000

Largest holders of unquoted options holding more than 20%

Unlisted options - $0.075, expire 15 February 2017

Shareholder	No. of options	% of total
Argonaut Capital Limited	30,000,000	100.00
Total	30,000,000	100.00

(b) Performance Rights

Distribution of performance rights

The Company has a total of 29,958,333 performance rights on issue held by 7 holders. All of these performance rights have been issued pursuant to the Company's Performance Rights Plan.

The number of performance rights, by size of holding:

Size of Holding	No of holders	Number
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	-	-
100,001 and over	7	29,958,333
Total Number of Holders	7	29,958,333

3. Substantial Shareholders

The company has received the following substantial shareholder notices:

Name	No. of Shares	% of Issued Share Capital	No. of options	Option terms
Imdex Limited	121,908,446	7.97%	-	-
FIL Limited and associated entities	145,312,232	9.99%	-	-

4. Schedule of Tenements

<table>
<tr><th>PSC</th><th>Holder</th><th colspan="2">Beneficial Interest (%)</th><th>Cost Recovery / Revenue Split</th></tr>
<tr><th></th><th></th><th>Exploration</th><th>Development & Production</th><th></th></tr>
<tr><td>Linxing (LXC)
1,874 km2
Shanxi Province, China</td><td rowspan="2">Sino Gas & Energy Limited
(SGE)</td><td rowspan="2">SGE100%</td><td>SGE 64.75%
CUCBM 30.0%
CBM Energy 5.25%</td><td>Exploration costs are funded by SGE 100% and are recoverable from future revenues from commercial production.</td></tr>
<tr><td>Sanjiaobei (SJB)
1,124 km2
Shanxi Province, China</td><td>SGE 49.0%
CNPC 51.0%</td><td>Exploration, development and operating costs are recovered from gross revenue in accordance with a standard cost recovery formula.</td></tr>
</table>

Following the completion of the strategic partnership with MIE Holdings Corporate (MIE) on 6 July 2012, MIE holds a 51% interest in the issued share capital of Sino Gas & Energy Limited (SGE) through the investments described in Note 23 to the consolidated financial statements. Subsequent funding obligations are to be met in proportion to issued capital held by each shareholder in SGE (49% for Sino Gas) and failure to meet funding obligations may result in a dilution of the defaulting party's interest.

SGE has interests in two blocks under Production Sharing Contracts (PSCs) with CNPC and CUCBM. Under the terms of the PSCs, SGE (as the Foreign Contractor) is required to fund all exploration, development and associated operating costs (Qualifying Expenditure) until Overall Development Plan (ODP) approval. Upon ODP approval, the PSC partners and SGE will fund their respective costs to commercialise the project. Once in commercial production, gross production is spilt in accordance with the cost recovery model, similar in operation to PSCs adopted in a number of international jurisdictions. First joint operating costs are recovered before SGE recovers its Qualifying Expenditure. Once the Qualifying Expenditure is recovered, the remainder is shared between the parties (Chinese Partner and Foreign Contractor) in proportion to their interests.

China National Petroleum Company (CNPC) is one of China's largest oil and gas producers with an extensive international presence and a strong focus on the development of unconventional gas in China. CNPC's interest in the Sanjiaobei PSC is managed by its subsidiary PetroChina CBM (PCCBM).

Chinese United Coal-bed Methane (CUCBM) an affiliate of China National Offshore Oil Company (CNOOC). CBM Energy (an unrelated investment company and early participant in CBM in China) has an option with SGE to gain an interest of 5.25% at ODP approval of the Linxing PSC, by paying 7.5% of historical costs and expenses.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Gavin Harper
CHAIRMAN

Robert Bearden
MANAGING DIRECTOR & CEO

Bernard Ridgeway
NON-EXECUTIVE DIRECTOR

Colin Heseltine
NON-EXECUTIVE DIRECTOR

COMPANY SECRETARY

Harry Spindler

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